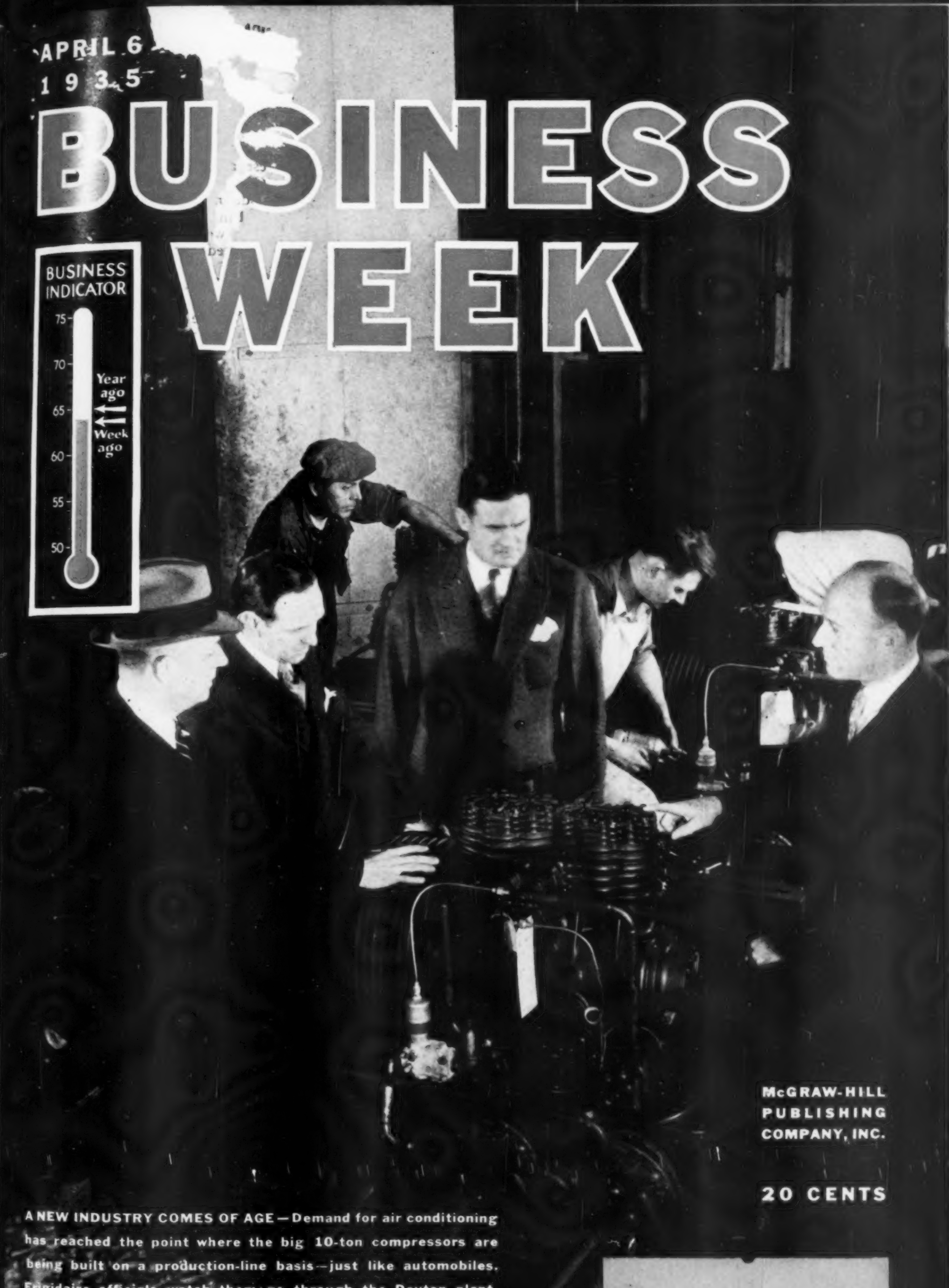
APRIL 6
1935

BUSINESS WEEK



A NEW INDUSTRY COMES OF AGE—Demand for air conditioning has reached the point where the big 10-ton compressors are being built on a production-line basis—just like automobiles. Frigidaire officials watch them go through the Dayton plant.

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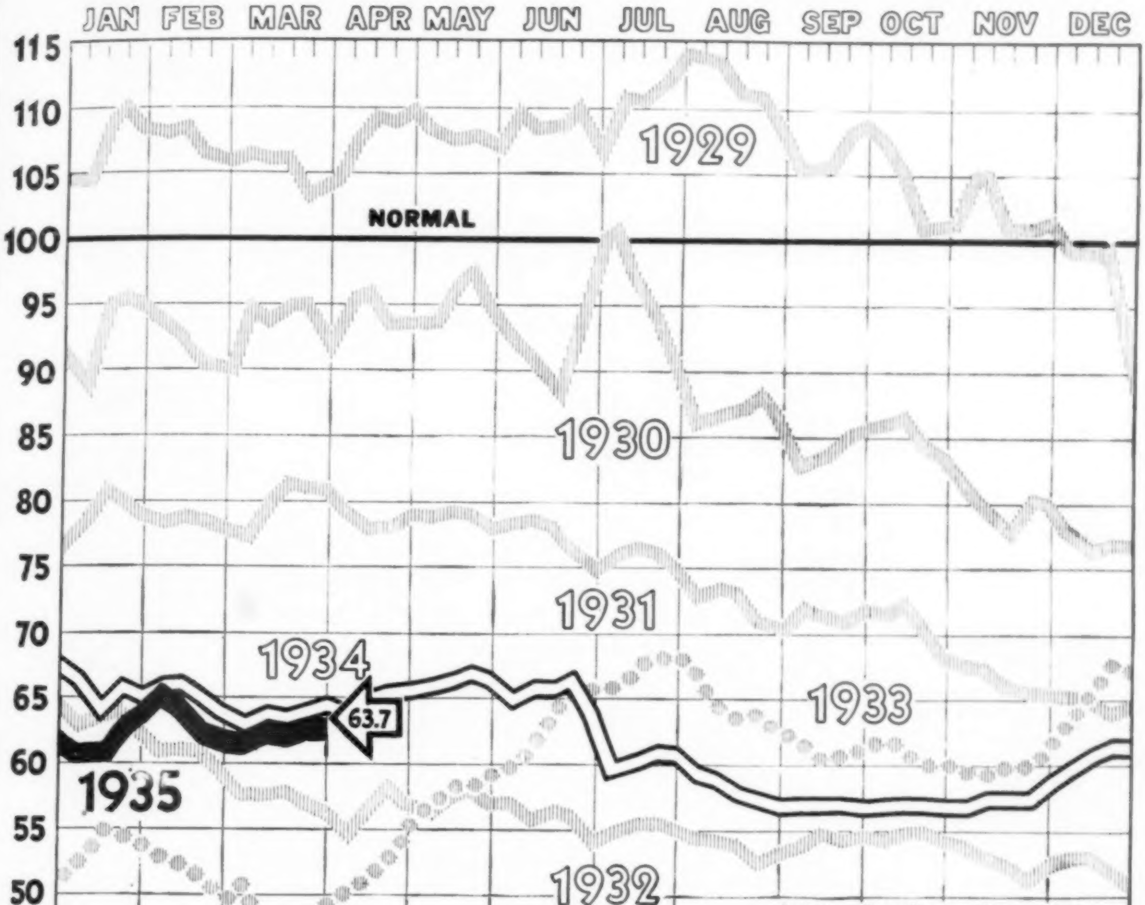
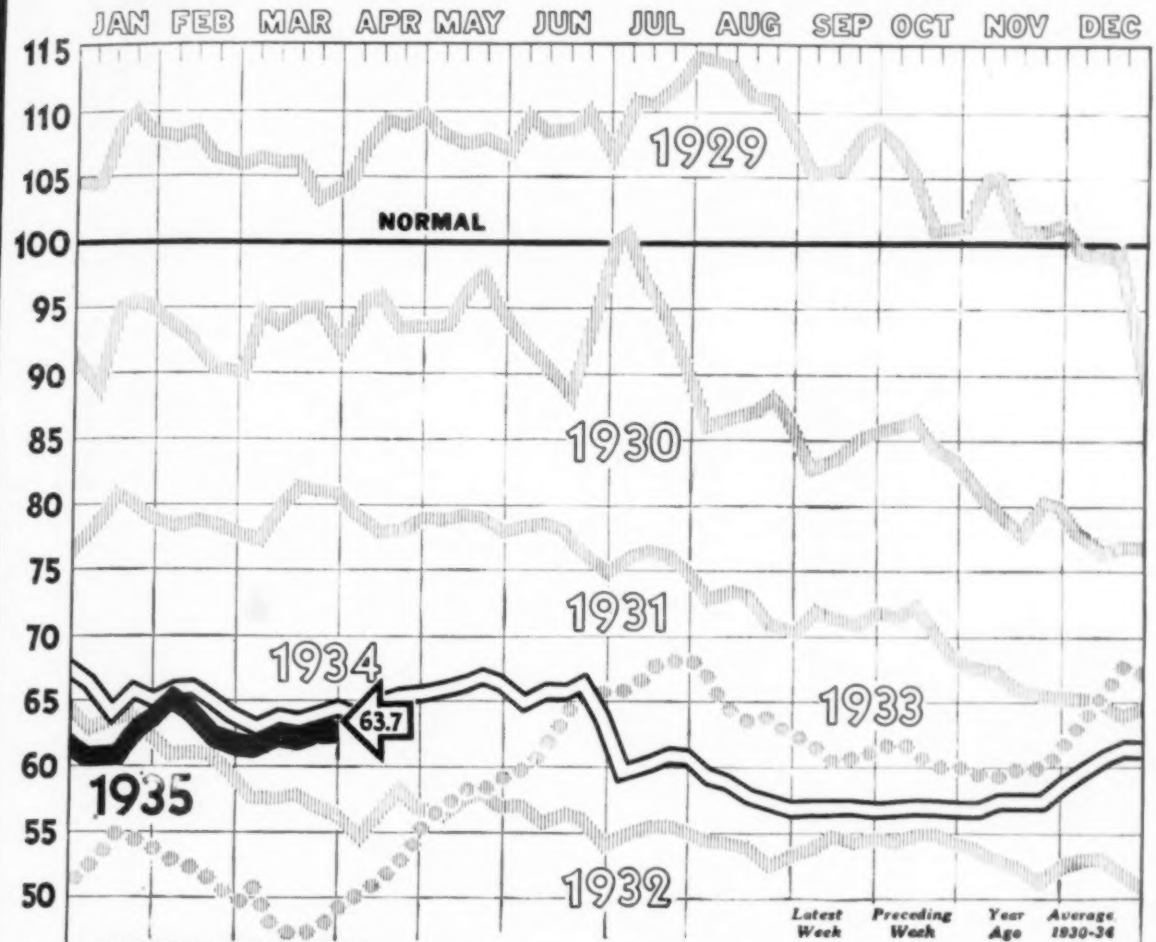
WEEKLY INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Year Ago	Average 1930-34
BUSINESS WEEK INDEX	*63.7	†63.7	65.0	69.0
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	44.4	46.1	43.3	41.5
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$4,153	$3,833	$5,861	$8,123
★ Bituminous Coal (daily average 1,000 tons)	*1,566	1,484	1,441	1,212
★ Electric Power (millions K.W.H.)	1,713	1,725	1,666	1,592
TRADE				
Total Carloadings (daily average 1,000 cars)	101	100	102	109
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	66	65	66	73
★ Check Payments (outside N. Y. City, millions)	$3,420	$3,782	$2,966	$3,500
★ Money in Circulation (daily average, millions)	$5,464	$5,470	$5,358	$5,200
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.98	$.96	$.81	$.70
Cotton (middling, New York, lb.)	$.113	$.113	$.122	$.104
Iron and Steel (STEEL, composite, ton)	$32.30	$32.33	$31.34	$30.88
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.078	$.091
All Commodities (Fisher's Index, 1926 = 100)	80.6	81.0	74.0	71.9
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,461	$2,458	$2,534	$2,458
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$18,463	$18,498	$17,472	‡$16,879
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,581	$4,590	$4,647	‡$5,074
Security Loans, Federal Reserve reporting member banks (millions)	$3,028	$3,050	$3,514	‡$3,967
Brokers' Loans, Federal Reserve reporting member banks (millions)	$928	$929	$960	‡$722
Stock Prices (average 100 stocks, Herald Tribune)	$94.85	$94.74	$102.73	$117.29
Bond Prices (Dow, Jones, average 40 bonds)	$93.58	$94.59	$92.79	$87.07
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	2.4%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾%	¾%	1-1¼%	2.9%
Business Failures (Dun and Bradstreet, number)	231	240	230	472

* Preliminary † Revised ★ Factor in *Business Week* Index ‡ 1932-34 average.

WEEKLY INDEX OF BUSINESS ACTIVITY



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The Business Outlook

IT is time to call a halt to pessimism. Motor production is reaching the best levels in 5 years. Construction activity is due for a pickup. March starts the ball rolling with a 30% spurt over February. The influence is felt in lumber and cement. Steel production is making a gradual readjustment following the first burst of rush orders. Support is still coming from farm implement, can, and refrigerator makers.

Carloadings have touched new highs for 1935 in the spring rise, have a chance to get an edge over last year's figures in the second quarter. Railroads won a small part of their requested rate increase, and a victory in the Supreme Court involving sale of collateral on defaulted loans.

Capital Markets Reopen

Capital markets are reopening with a flock of refunding issues. Dividend declarations in the first quarter of 1935 were the largest since the same period of 1932. Some 150 companies have declared extra dividends in the last 3 months against 144 in the first quarter of 1934. Increased business volume of 18% is reported up to date by National Cash Register. General Electric is estimated running 30% ahead of the first quarter of 1934. So is Stewart Warner. Kelvinator March shipments reached a new high for the month.

More Jobs, More Hours

Factory employment is increasing; so are payrolls and hours worked. In February, manufacturing plants operated at an average rate of 37 hours per week, better than any month in 1934. The gains are reflected in retail trade. First March chain sales reports are from food distributors; they show a 3% gain over 1934. General Foods recently disclosed that last year it sold the largest physical volume of food in its history, breaking even the 1929 record.

Truce in Coal Fields

The coal strike threat came to a sudden end when the bituminous code was extended to mid-June. By that time, a settlement of a more permanent nature may be worked out. Production has steadily increased since January, partly for fear of strike interruptions, and partly because consumers wished to avoid the higher freight rates asked by the roads. Protection against the latter eventuality proved to be well taken. As soon as the roads avail themselves of the permission to increase rates on coal shipments, production is likely to take a nose-dive from current levels of over 9 million tons a week. But second quarter activity is normally the slow period in coal fields.

Air-Conditioners Hopeful

Increased freight rates might bring added zest to steel buying in the second quarter, when consumers also will wish to protect themselves from price advances likely to be posted for the third quarter. In addition, purchases from motor manufacturers overhang the market, and are expected to be of fairly substantial proportions. Construction projects should be at hand shortly. The air-conditioning industry, lustiest of infants, also feels the effects of government orders. The industry looks forward to a small boom this year.

Price Squeeze in Detroit

A $3 reduction in cold-finished steel bars coming from a Detroit mill emphasizes the pressure which the motor industry can put on steel prices. It recalls the moves taken by Ford to make himself less dependent on steel manufacturers. With a big investment being made in a sheet mill, and more recently in a glass factory, Dearborn frankly serves notice on suppliers who might like to jack up prices.

Good March Business

Pig iron production in March was virtually at the same daily rate as in February, while actual tonnage was 10% higher due to the extra days of March. Steel will probably make a similar showing. First quarter orders of the U. S. Steel Corp. were 18% ahead of the same period of 1934. *Iron Age* reports steel activity was actually higher this week in Chicago, Cleveland, Buffalo, and Detroit. At the same time, an apologetic note is injected that demand for finished steel products is being "sustained at a far better rate than would seem justified by the current business uncertainty."

What Sad News!

Perhaps we should also shake our heads apprehensively over the fact that motor assemblies crossed the 100,000-a-week mark for the second time this year, that Ford is planning on April production of 165,000 cars against 89,249 a year ago, that Chrysler first quarter shipments set a new record, that Pontiac and Oldsmobile are operating at close to capacity rate, that the industry as a whole will reach a total output of 440,000, that March sales of passenger cars are believed to be the largest for the month since 1930.

Building Down—Not Out

Then there is the construction industry—somewhat down, but not out. Records are available unfortunately only for the first 19 business days of March, but $84.3 millions of contracts have been completed compared with $75 millions in the 22 days of February. Residential activity is most encouraging, now running 42% ahead of the February rate, and close to 3% better than a year ago. Interest in the prefabricated house at reasonable cost is growing, with a large New York department store seizing the opportunity to link housing with house furnishings. If this type of construction clicks with the public, steel, cement, aluminum and other industries stand to gain a new outlet.

The Labor Horizon

With the coal strike out of the way for the moment, what other possibilities loom up? Rubber workers are taking a strike vote in Akron to determine the extent of support for a fight for union recognition. Companies claim the union has only a minority hold on the industry. Some feel the choice is between a labor war and a tire price war, of which the former is preferable.

No Immediate Threats

Business on the West Coast has suffered to some extent by the strike of oil tanker employees. Fear of trouble in textile and motor centers is not pronounced, though no one would be surprised to see flare-ups here and there. Resistance to the wage cut which railroad managements are certain to request on May 1 is expected, but provisions of the Railway Labor Act delay overt action for 4 months after May 1.

Outlook for Power

Power production has succumbed to seasonal influences in the past 3 weeks which has narrowed the spread from 1934 to less than 3%. *Electrical World* looks to the power industry to supply $16 billions of new business in the next 2 years, and forecasts tripling the investment in the industry, to provide adequate service to meet the public demand.


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Your own eyes will tell you that the Master De Luxe Chevrolet for 1935 is outstandingly beautiful. For fine body-craftsmanship has tailored every part. And a ride will tell you that it is powerful—spirited—and surpassingly comfortable. For precision engineering has made it a thoroughbred in action. And yet the new Chevrolet prices are surprisingly low—and operating economy is even greater than in previous Chevrolet models. That is why we say: Look to the Master De Luxe Chevrolet for beauty . . . as well as the modern features which mean fine motoring . . . and choose Chevrolet for quality at low cost.
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(with No Draft Ventilation)
for your safety and comfort
BLUE-FLAME VALVE-IN-HEAD ENGINE
for performance with economy
KNEE-ACTION RIDE
for your comfort and safety
WEATHERPROOF
CABLE-CONTROLLED
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for quick, smooth, positive braking
SHOCK-PROOF
STEERING
for greater driving ease

Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Discrimination against American goods will result in the renunciation of commercial treaties with Italy, Portugal, Denmark, and Poland in the near future. Secretary of State Hull, daddy of reciprocal trade agreements, hopes to force these nations to terms. Action has been withheld thus far more because of the delicate situation in Europe than because of any hope that negotiations would succeed without strong-arm methods. Italy's quota restrictions, just going into effect, bar American wheat and tobacco, limit to 25% of 1934 figures the imports of American automobiles, radios, office machinery, types of electrical machinery, cotton, etc., threaten serious dislocation of American foreign trade. Hull is particularly disturbed at Italy's new "Amtorg," the National Institute for Foreign Trade, which handles all exports and imports.

> ***WHAT CONGRESS DID***
>
> ***The Senate:***
>
> ***Passed $126-million Agricultural appropriation.***
>
> ***The House:***
>
> ***Approved $38 millions for naval shore stations.***
>
> ***Passed bill creating aviation cadet corps.***
>
> ***Passed soil erosion bill.***

Chrysler's Polish Trouble

Chrysler Motors is much agitated over Poland's quota system, partial to the British on 200 items and favoring other European countries against the U. S. General Motors and Ford are not so hard hit, for they have factories abroad. G-M's Opel car, for example, uses foreign tires and motors. Chrysler representatives have lost hope on reciprocal trade negotiations and now favor the Peek barter method for hurdling foreign barriers.

President Has His Way

President Roosevelt is slowly moving toward a 100% victory on the Work-Relief Bill. Newspaper comments at the time of the World Court vote, that the Senate had tasted blood and would insurrect all over the lot, just failed to materialize. As *Business Week* predicted, the President is having his own way with a few specified exceptions. Oratory and cloakroom conversation always make headlines. Only final votes affect legislation.

Modified Holding Company Bill

Utilities seem destined to get a modified holding company bill very nearly in line with what a few of them actually advocated as much as 10 years ago. Original government witnesses will be recalled in rebuttal, but are not likely to press so hard this time for the death sentence. Senate hearings, soon to start, are also unlikely to reverse the swing to regulation with the further simplification of financial structures where highly complicated.

Railroads in the Hole

Railroads are no better off than before with the recent authorization for emergency rate surcharges. These will yield about $85 millions—just precisely the amount of the 5% wage restoration of Apr. 1. Which leaves the railroads to find additional money for the 5% previously restored. Meanwhile there is scant likelihood of any regulation of trucks and buses—much as the rail carriers might like it.

A. F. of L. Holds Off Strikes

No big strikes will be authorized until the legislative tangle is unraveled. A.F.ofL. President Green is almost forcibly restraining impatient local leaders—for example, at the rubber plants in Akron—just as Lewis of United Mine Workers postponed the coal strike until June 16—date of NIRA expiration.

Wagner Bill Wanted

Extension of NIRA with Section 7-a reincorporated is still indicated. Union labor officials infinitely prefer the Wagner bill, which not only would be permanent but would force the majority rule idea, so important to union dues payment and union official control. They make it clear they can retard recovery to the injury of the President's program by a plethora of strikes unless the President swings in behind the Wagner bill. The President still refuses to cross the bridge until he gets to the approaches.

Unemployment Increase

New figures on the number of unemployed shortly to be released by NRA will show an increase in men and women out of work since January, 1934. Dr. Theodore Kreps, whose system of calculating the number out of work finds favor even at A. F. of L. headquarters, figures 10.8 millions now out of work against 10.4 millions in January, 1934.

Security Prospects Brighter

Prospects for unemployment insurance and old-age pensions brightened materially during the past week, especially after House Republicans decided, without definitely binding themselves, to approve a restricted form of the Administration's social security program. Senate shoals still lie ahead, but chances for enactment before adjournment are undoubtedly brighter.

Japanese Competition Tactics

Faced with a tremendous political pressure for (1) repeal of the cotton processing taxes and (2) an embargo on Japanese textiles, as mills in New England and the South are closing daily with Japanese competition as an excuse, the Administration hopes to solve the problem by direct negotiations with Japan, hopes Japan will restrict exports to us voluntarily, following the pattern of the gentlemen's agreement on immigration.

No Licensing, No Agreements

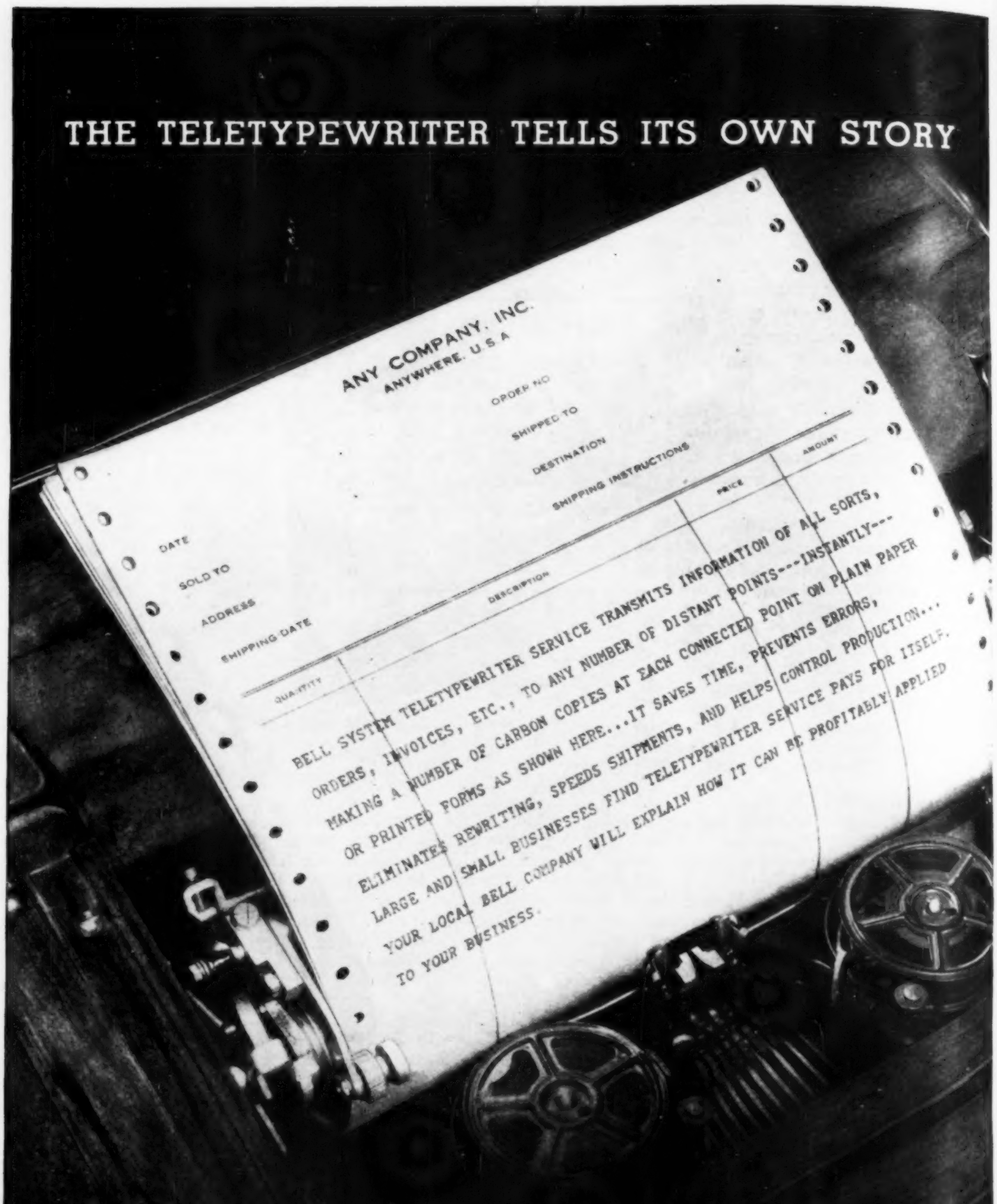
Eagerness to deprive AAA of licensing club may result in terminating marketing agreements. AAA insists that without the licensing threat to enforce terms, marketing agreements would fall of their own weight. Packers, one industry which cares nothing for marketing agreements but fears licensing, are rather pleased with this possible development as the House committee begins revamping amendments.

Silver Policy Unchanged

Continuance of the government silver buying policy, as demonstrated by the additional sale of gold to Mexico, fails to placate the silver bloc on Capitol Hill, while China adds another plaintive protest at what the policy is doing to her.

Diplomats' View of Europe

Diplomats here—right in their predictions an astonishing percentage of the time—say there will be no war in Europe. They think Germany will get away with rearming, despite the vigor of protests; that the Polish Corridor question will be adjusted; that Poland stands firm with Germany, and Britain does not want her recently increased export markets to be disturbed; that France will scream ineffectually; that Italy is glad of something else to take the world's limelight off her aggressions in Africa.



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BUSINESS WEEK

APRIL 6, 1935

Labor Puts on a Show

"Strike season" opens this year in the rubber plants with union leaders assiduously studying the effect of their threats on Congress.

THE spring strike season—April and early May—opens with storm-clouds lowering in many directions, but with at least one break in the gloom.

Darkest of the clouds is that hanging over Akron, O., where 35,000 rubber plant workers are making strike talk. There is a haze above Detroit where American Federation of Labor leaders are trying to stir up trouble (and union dues) but proving ineffectual so far. Minor whirlwinds whirl through the textile areas where the ubiquitous Mr. Gorman of the United Textile Workers is jumping about uttering vague threats of further trouble at undetermined dates.

Washington probably has part of the explanation for the general atmospheric disturbance, if not for this or that particular gale of trouble. To experienced politicians it seems perfectly natural for labor leaders to blow up nice, impressive cloud masses for their effect on Congress. They point out that this Congress is currently wrestling with the Wagner bill, that the A. F. of L. is "officially" pushing the Black 30-hour bill, that NIRA is up for a revision important to laborites disappointed with its original benefits. And maybe a few strike threats might deter Congress from trying to ditch Senators Wagner and Black, get by with innocuous touches to NIRA—which is about what the Administration hopes to do. But the labor leaders don't want any actual strikes until the legislative tangle is cleared.

Union Against Union

The Akron situation is something else again. Trouble has been boiling there for a long time. Three big company unions—one 15 years old, the other 2 NRA eaglets—are faced by the United Rubber Workers, an A. F. of L. affiliate which is not under very good A. F. of L. control. Goodrich and Firestone have already clashed with the National Labor Relations Board over plant elections, carried election orders to the courts.

United Rubber Workers presented demands Mar. 27, insisted on recognition, protested against the company organizations, ordered a strike vote when these demands were turned down. First vote was held at the Goodyear plant—by the company union. Since it showed 11,515 workers against a strike to 891 in favor (and 298 filing void ballots) it was "unfair" according to A. F. of L. ideas. So the United Rubber Workers called another vote at Goodyear and strike votes of various kinds in other plants.

The news from the rubber field this week was that Akron was gradually coming to the view that "the Wall Street interests in Goodrich and Goodyear" and "the Washington interests in labor" have decided to fight it out. Special guards and company police are now believed to total 1,000. Old residents remark on the number of strangers in town. Floodlights and barbed wire are already in evidence. And the young new union members are wondering very audibly what they paid all those dues for if there's not to be a strike. Best hope of peace is the desire of experienced leaders to postpone a crisis.

Complicating it all is the fact that there is about 5 months' supply of tires on hand, most of them already shipped out of Akron to avoid strike interference. The strike might stave off the destructive price war which all the companies expect any time now unless the plants are shut down—by something.

Meanwhile, contrasting with all this disturbance is the peace in the bituminous coal fields where operators and labor leaders have done a statesmanlike job in postponing the threatened "stoppage of work" and a decision on a new wage contract until NRA (and the bituminous code with it) expires June 16.

Strategic Retreat

While the operators gain a temporary victory for continuation of the basic 7-hour day, 5-day week at $3.50 a day, John L. Lewis of the United Mine Workers has actually strengthened his position by delaying for the sake of peace his demand for a basic 6-hour day, 5-day week at $3.65 a day. He would have had to face the problem of code expiration in June whatever the outcome of the present negotiations; in the interim Congress might pass the Guffey bill for government regulation of the bituminous industry.

Wide World

TO STRIKE OR NOT TO STRIKE—After the company union announced a vote of 11,515 to 891 against a strike, members of the United Rubber Workers Union—reputedly 4,000 strong—at the Goodyear plant began to take a strike vote of their own. Pending final court settlement of the National Labor Relations Board demand for government-supervised elections of bargaining representatives, employees are conducting similar polls at other plants in the Akron storm center.

Social Security—Second Effort

House rewrite of Wagner-Lewis bill raises costs, also exemptions; old-age plan has best chance.

WASHINGTON (*Special Correspondence*)—In rewriting the Wagner-Lewis social security bill for the House, the Ways and Means subcommittee has increased some of the burdens which it would lay on industry, exempted some kinds of industry from its provisions, shorn Madame Perkins of some of her anticipated power. However, the general formula for unemployment and old-age insurance continues about as it was in the original Administration program, except that provision for government sale of old-age annuities to voluntary insurers has been dropped. That field will be left to the insurance companies.

Most important changes made by the House bill reported this week are these: (1) The payroll tax for unemployment compensation begins at 1% in 1936 and jumps 1% in each of the next 2 years, instead of having the increase dependent on business conditions as originally planned; (2) the contributory old-age annuity tax (half from employers, half from workers) begins in 1937 at 2%, instead of 1%, and steps up to 6% in 12 years, instead of to 5% at the end of 20 years; (3) non-profit institutions, farmers, domestics, and casual workers are dropped from both schemes; (4) private plant reserve funds for unemployment compensation are barred in favor of state-pooled funds—a simplification which will displease many employers; (5) exemptions from the unemployment scheme are raised to let out those who hire fewer than 10 workers (originally 4) and to relieve seasonal industries by boosting from 13 to 20 the number of weeks a worker must be employed to qualify for compensation; (6) administration of the program is turned over to an independent "Social Security Board" rather than put under control of the Labor Department.

Administration Reactions

On the whole, the Administration experts are undisturbed by the results of this laying of political hands on their child. However, they would have preferred to start old-age benefits sooner than 1942, as now specified, and they still think that unemployment insurance tax rates should be geared to the Federal Reserve Board's index of industrial production. They are worried about the multitude of small plants that escape their ministrations through the boost in exemptions. And, of course, there is no cheering in the Labor Department over that separate Social Security Board. For one reason, it is pointed out that the objective of the unemployment insurance program is to find jobs rather than to pay out money in benefits and that, for this, close coordination with the Labor Department agencies is essential.

However, the bill is a long way from passage and its defects from the experts' point of view will be brought up when it goes to the Senate, which is likely to have its own ideas on the program. Meanwhile, there will be a strong effort to cut the old-age benefit section loose from unemployment compensation and hold up the latter for further study. This move would have considerable backing from business which feels that, while the country is ready to provide for its old people, it needs far more time to unravel the complications of the unemployment problem.

One excuse offered for haste has been removed by the delay to which the security program has been subjected by the protracted fight over work relief. State legislatures that might have passed coordinated measures during their current sessions if the President had gotten action earlier will, for the most part, have adjourned until 1937 before he puts his signature on the federal act.

Incidentally, it is significant that this week's revived discussion of social security problems was conducted without much help from Dr. Townsend. The author of the $200-a-month old-age pension plan is still exhorting his followers in Congress, but Washington has ceased to worry about him or them. It is now pretty clear that the Western members on whom the good doctor might exert some political pressure will feel safe to face next year's elections if they make a lot of noise and at least get some kind of an old-age pension bill through. Which looks fairly easy.

NRA Bargain Offer

Bill to keep Blue Eagle flying gives more power to government, "skill-scale" to labor, price and production controls to industry—after all.

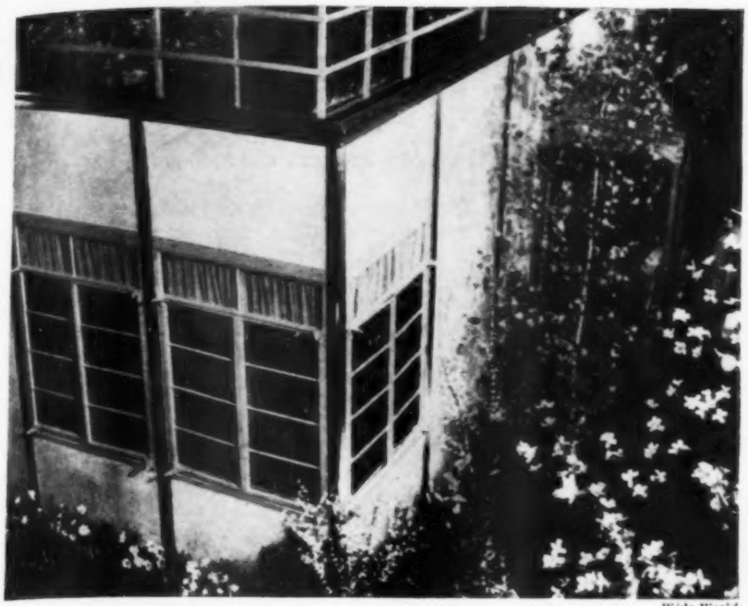
THE long-awaited bill for the continuation of NRA was introduced by Senator Harrison last week, first to mollify labor (and industry) in the face of growing labor problems, second to forestall further criticism of the government's action in dropping appeal on the Belcher lumber case, long-promised Supreme Court test of the legality of NIRA (*BW—Mar30'35*).

The first reason was admitted at the time the bill was introduced, a move which had been anticipated by pretty general circulation of a draft of the measure among private groups in Washington (although that "Administration" bill differed materially from Senator Harrison's). The second reason is deduced by most Washington observers. The withdrawal of the suit has been subject to severe criticism, but was based, admittedly, on the feeling of the Administration that the lumber code's exceptional delegation of power to the code authority left a case under this code open to an adverse decision on that ground alone, that no fair test of the NRA idea could be obtained until this delegation of power was made specific and the manner of its use specified.

This the proposed new NIRA provides carefully. In its legal aspects, the bill is generally approved by lawyers. It defines what the Administration apparently feels is interstate commerce, makes a clearly-cut issue for the Supreme Court to decide if it can get around to it in the 2 years of life (until June 16, 1937) proposed. The bill also provides in orderly fashion for the delegation of authority by Congress to the President and by him to the code authorities, and sets the limitations thereof, thus meeting the objections of the Supreme Court, as enunciated in the Amazon oil case, to a general delegation of legislative power. Carefully drawn enforcement provisions bring in many of the changes made in NRA procedure by executive and administrative orders, in general clarifying the problem and making for speed and efficiency. The criminal provisions are omitted, and suits in equity, with fines, are substituted.

Labor Could Sue

Article 7-a is restated to refer to the collective bargaining clauses as a statement of rights of employees rather than as "conditions" to a code, as originally phrased. The bill also contains a provision that an employee may sue for damages from his employer for wage and hour violations, with the employer paying the costs of the suit. There are other labor provisions, especially applicable to the "limited" (mostly labor) codes which may be imposed if an industry does not submit a satisfactory code or cannot agree upon one among its members. A general one is that wage scales according to skill (and according to locality) may be provided. The



Wide World

PACKAGED (IN CELLOPHANE) HOUSE—Ready to supply the market for prefabricated houses on a basis of 4 rooms and a bath for $3,800, American Houses, Inc. (*BW—Dec15'34*) holds the first public exhibit of its air-conditioned, completely gadgeted "Motohome" at Wanamaker's in New York City. After the un-Cellophaning ceremony, Foster Gunnison, president of Houses, Inc. (parent company of American Houses), announced 3,500 unfilled orders on hand.

A. F. of L.'s favored plan of wage scales according to skill was fought off by industry in all but a few of the old codes, notably those of the clothing industries, but the Federation has succeeded in getting it into the new measure.

Superficially the proposed law seems to declare all price-fixing and production control, illegal. However, there are exceptions—and here the doors swing open at the executive call. "Devices for controlling prices, production, or distribution may be applied (a) where found necessary and proper by the President to protect small enterprises against discrimination or oppression or to deter the growth of monopolies, or (b) where found necessary to provide correctives for emergencies caused by large volumes of production in excess of effective demand, or by destructive price-cutting, or (c) to those trades or industries which are now or hereafter subjected to government regulation of prices and methods of distribution as public utilities or as natural resource industries (such as, among others, coal, oil or gas), or because they are found to be affected with a public interest." This apparently makes price and production control fully legal and likely—at the will of NRA.

Seek to Open Books

This provision has caused plenty of criticism, and is one of several provisions of vast power to the executive, far in advance of the original NIRA. Among such provisions is that requiring that books be opened to government inspection, a plan similar to that which AAA has sought to impose on the food industries, but which was fought off last year, although it has again been submitted with the new amendments for AAA this year. Of serious import, also, is the requirement that all codes shall be automatically reopened for review at the expiration of the old NIRA, provision being made that, as they expire with NIRA on June 16 this year, they shall be continued in effect for 90 days to allow time for this reopening and revision. Some of the favorable codes of other days are thus to come up on the carpet without further ceremony.

The idea of insignia (the unpopular Blue Eagle?) and labels is written into the proposed law, as well as the old "boycott" order which provided that the government might buy only from manufacturers who lawfully displayed such insignia.

Cutting Down Codes

The limitation on the number of codes which was predicted is provided in 2 ways: only industries distinctly interstate in character (under the definition of interstate commerce in the proposed law) shall be required to submit codes; provision is made for a general code for all small industries, the size of the industry to be determined by number of employees, this number being for Congress to fill in. There is already speculation as to whether or not the service industries come under the provisions of the "interstate commerce" clause of the new act.

The bill is in for plenty of trouble, from Senator Borah who thinks it fosters monopolies, from industry which finds it full of dynamite, even from labor because industry can still function outside the anti-trust laws,—and from a Congress still pretty dubious about continuing NRA without yet more drastic changes.

Air Conditioning Starts Fast

"Comfort industry's" distribution policies have played important part in swift growth shown by 1935 gains.

A MILLION-DOLLAR order is big news in any industry, but it's bigger news when a so-called "infant" industry like air conditioning walks off with one. Yet the million-dollar order placed with York Ice Machinery Corp. last week by Uncle Sam for year-round air conditioning of the "Interior" building at Washington is merely one of a healthy total which demonstrates that the industry is "going places" in a hurry.

In fact, some of the concerns that expected to do a lot of "nursing along" before getting out of the red ink cellar are now scrambling for ways and means by which to take care of the orders.

For instance, 3 companies—Carrier, Westinghouse, and York—report that 1935 sales are running from 100% to 300% ahead of 1934. General Electric has booked some large installations, including the Gulf States office building at Dallas, says that sales for the first 2½ months of 1935 were 700% ahead of 1934 and that no additional distributors are being taken on at present. Frigidaire abandoned its previous method of unit construction, has just put 2 endless-belt production lines in operation (see cover), is building 2 more. Kelvinator is enlarging its "a-c" production division.

Manufacturers who have been in the field for 2 or 3 seasons say that the seasonal character of the air-conditioning equipment business is disappearing rapidly and predict that public acceptance of the year-round advantages of such equipment will soon make year-round volume for those who can take care of it.

Important concerns found that the 1935 "season" for selling large installations started 2 to 4 months ahead of previous years, to be exact, before the turn of the year. Sales of portable units for offices and homes, considered the

Air-Conditioning Distribution

Manufacturers of air-conditioning equipment follow different policies in choosing distributors. Here is the lineup of sales outlets for companies furnishing information on marketing programs.

Name	*Direct Factory Branches*	*Refrigeration Distributor*	*Oil Burner Distributor*	*General Appliance Distributor*	*Plumbing and Heating*	*Engineering Firms*
Airtemp, Inc				*		*
Betz Unit Air Cooler Co					*	*
Buffalo Forge Co	*					
The Burrowes Corp. (window units)		*	*	*		
Carraway Engineering Co				*		*
Carrier Corporation		*	*	*	*	*
Clarage Fan Co	*					*
Corozone Co.		*	*	*	*	*
Edwards Manufacturing Co					*	*
Electrol, Inc.				*	*	
Emerson Electric Mfg. Co					*	*
Fairbanks, Morse & Co	*	*		*	*	*
Frigidaire Division		*	*	*	*	*
Furblo Co.				*	*	
Gar Wood Industries, Inc			*		*	*
General Electric Co	*		*	*		*
Holland Furnace Co	*					
Ilg Electric Ventilating Co		*	*	*	*	*
Kauffman Air Conditioning Corp				*	*	*
Kelvinator Corp.	*			*	*	*
King Zeero Co				*	*	
Lewis Air Conditioners, Inc			*	*	*	
John J. Nesbitt, Inc		*		*		*
Parks Cramer Co	*				*	*
Savage Arms Corp			*	*		*
Servel, Inc.		*			*	*
Standard Air Conditioning, Inc	*					*
Thermal Units Mfg. Co		*	*	*	*	*
The Trane Co	*	*			*	
U. S. Air Conditioning Corp	*					*
Waukesha Melcher	*					*
Westinghouse Electric & Mfg. Co	*	*	*	*	*	*
York Ice Machinery Corp	*	*	*	*	*	*

advance agents for bigger sales, are now under way where previously there had to be some pretty early warm weather to start that type of business before July.

Anticipating considerable improvement in sales, companies with experience in merchandising other major appliances have planned more elaborate sales and advertising campaigns, several adding new models and bringing out fancy catalogues and promotional material to help them.

No "Gold Rush"

Those who have followed the development of other industries that were infants not so long ago, such as the manufacture of automobiles, radios, and washing machines, comment on the fact that so far the rapid growth of air conditioning has failed to produce the traditional gold rush of get-rich-quick promoters. They consider it an extremely healthy sign that the field has been dominated decisively by high-class, well-established companies and that most of the newcomers rank high in other fields.

A recent checkup by *Business Week* shows that several concerns, previously prominent in such other fields, are now ready, or preparing, to make a bid for air-conditioning orders. Among them are American Radiator & Standard Sanitary Corp. (through Standard Air Conditioning, Inc.), Burrowes Corp. (billiard tables, screens, etc.), Edwards Mfg. Co. (sheet metal), Electrol, Inc. (oil burners), Gar Wood Industries, Inc. (motors, controls, oil heating), Savage Arms Corp. (appliances, etc.).

The checkup also discloses that none of the well-established manufacturers now active in air conditioning, and few of the newcomers, are recklessly appointing distributors wherever they can find anyone willing to take their line. Instead, the majority recognizes that the sale of the unit is only a first step, that its chance to give satisfactory service depends upon the care with which the right kind and size of unit is selected and installed, and, beyond that, on the type of service facilities available to the buyer after the job is in.

Engineers Wanted

Accordingly, few concerns handle their distribution on a "package" basis but insist that well-trained engineers must be a part of the sales organization. Some of the manufacturers, chiefly those who make large units, give the preference to engineering concerns. Others lean toward heating ventilating and plumbing contractors because so many installations involve some pipe fitting and other work with which these distributors are familiar.

It is significant that some of the largest concerns which have established distributors handling other products, such as refrigerators and oil burners, do not attempt to confine distribution of their air-conditioning equipment to these outlets. In fact, only a few are willing to have the new line handled in conjunction with other appliances and, even then, they demand that a separate department be set up with a competent air-conditioning engineer in charge and a sales force trained for the work.

Those who have had experience in marketing air-conditioning equipment contend that a manufacturer really determines his success or failure in the field by the distribution policy he adopts.

No Newspaper Tax

Court enjoins collection of Huey Long's 2% levy on advertising, forestalls other state taxes.

ONCE again, freedom of the press is preserved against the threat of governmental encroachment. Which is to say that the state of Louisiana has been permanently enjoined from collecting a 2% tax on the gross advertising revenues of all daily newspapers in the state having a circulation of more than 20,000 copies weekly (*BW—Feb9'35*). Aimed at the 13 big newspapers (out of Louisiana's 163) which have carried on vigorous anti-Long campaigns, the Act, rubber-stamped by the Long legislature in the summer of 1934, had never been operative—thanks to an injunction which the publishers immediately obtained.

Although Louisiana's law was popularly considered by the American press as a major assault on its jealously guarded freedom, the Court in sustaining the injunction found it necessary to consider only the first 2 charges in the publishers' attack, directed at the hearings last December by Senator Bennett Clark and Elisha Hanson, publishers' counsel: (1) That the tax violated the Louisiana Con-

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stitution; (2) that it violated the Fourteenth Amendment.

This decision, publishers believe, will call a halt to the threatening enactment of similar laws by state legislatures hard pressed for new tax revenue sources. Already, one such bill, proposing a ½% tax, has been passed by the Washington state legislature, awaits Governor Martin's signature.

However, because Judge Wayne G. Borah and his 2 associates on the New Orleans bench did not rule on the publishers' freedom-of-the-press argument, it is feared that the Louisiana law may be amended to remove discriminatory features, thus compelling another court fight to prove that the tax violates the Bill of Rights provision guaranteeing a free press.

Wine Stirreth Itself

Admitting that much has to be done to rebuild the industry, the Wine Institute is formed to do it.

RESURRECTED by the repeal of prohibition, the legitimate wine business has proved to be a reluctant Lazarus. Liquor and beer bounced back into a state of instantaneous vigor. For them there waited a demand which amounted to a passionate national yearning.

Wine is a necessity to only a section of our population. Not only must the revived industry rebuild its internal machinery, it must also promote a larger market. To do these jobs, the Wine Institute (San Francisco) was recently formed.

Course of its missionary activities is already indicated. First, it wants to wean the national mind from thinking of wine as a companion of liquor. Intoxicating appeal of its fermentations is being played down, food value is being played up. Its promotion offices are teaching housewives (principally through the food and cooking columns of newspapers) the value of wine in recipes and as a dining table beverage. A national cooperative advertising campaign is under consideration. A cooling summer drink based on wine soon will be announced. From these basic appeals, the industry will advance against its greatest handicap—oppressive state taxation and intricate hampering controls which prevent the consumer from conveniently obtaining good wine at low prices.

What the industry most desires in the way of distribution is a general permission to sell wines at grocery and food stores. Such a multiplication of outlets would inevitably lead to increased consumption. Of the 30 that have legalized wine, the prize states from the industry's standpoint are California with a 2¢ per gal. tax and Connecticut with an 8¢ tax. Both allow sale of wine in grocery stores. Per capita consumption in California is 2.34 gal. annually, in Connecticut, .32 gal. Contrasted is Indiana, with a tax of 50¢ and consumption of only .01 gal. per capita. (Somebody else will have to weight the figures with the percentages of wine-drinking Latins in these populations.) New York, which prohibits sales by groceries, has a higher tax rate than Connecticut (10¢) but a higher consumption rate also (.52 gal. per capita).

Certainly Americans are drinking less wine than before prohibition. The high spot was reached in 1912 when we imbibed about 2½ qt. per capita. (Compare consumption in France of 37 gal. per capita.) Last year our consumption from legitimate sources was estimated at 1 qt. per capita. The accent is on that "legitimate sources."

The bootlegger still plagues the legitimate liquor seller; untaxed wine, made in cellars, still competes with legitimate vintners. During prohibition, California grapes were shipped east to be made into wine in the large cities (*BW—Sep7'29*). In 1929 about 70,000 carloads of wine grapes were received in the terminals near New York City. Last year some 4,000 cars were received. Homemade production for 1934 is estimated at 25 million gallons. How much of this was legitimately consumed

Business Week

VINTNERS' CHAMPION—A good wine may need no bush, but it does have to guard against oppressive state taxation. And that's one of A. R. Morrow's big jobs as president of the new Wine Institute.

Business Week

SIC TRANSIT VINA—The Italian Swiss Colony Winery in California finds one answer to a big problem among vintners—the problem of economical distribution. Cylindrical tank cars with a capacity of 8,000 gal. and compartment cars which hold 6,000 gal. carry the California product to big Eastern markets.

by the people who pressed it and how much was illegitimately sold without payment of taxes is beyond estimate.

The Wine Institute is poking around in that field, is convinced that a huge gallonage is being sold illegally. Prescribed remedy is better cheap wines through legal channels.

What Vintage Dates Mean

The Federal Alcohol Control Administration recently issued regulations to reduce the use of false claims on labels. Statement as to the age of wine is barred. Vintage years may be carried but all grapes used must have been picked in that year and must be from the same area. This seemed the only way the FACA could correct the general impression that age is as important to wines as to liquors. The truth is that wines reach their highest quality at 4 years, and that the really important thing is whether the crop of particular years is good or bad.

The domestic wine problem is California's problem. Last year that state produced 50 million gal., against 15 million for the rest of the country. Imports are estimated at 10% of consumption. California met repeal with only small supplies of old wine in casks. Vineyards must be redeveloped to meet legal sale. During prohibition demand was for hardy grapes that would stand the transcontinental trip. Now there is a return to finer types for wine production in their native state. Growers are planting new vines or grafting better types on the old roots.

Hit and miss marketing must be eliminated. One distribution reform planned is central warehouses in key cities throughout the country. It is hoped that more uniform state laws can be obtained covering alcoholic percentages, reducing taxes and license fees, simplifying regulation of sale.

FACA Is Helping

Domestic producers admit that the FACA is helping reconstruct this important industry which employs 200,000 persons, has retail sales running into the hundred millions. The government has its own financial stake. Its internal tax on dry wines is 10¢ per gal.; on sweet wines, 20¢. States have added levies (and helped the bootlegger) with rates as high as $1.10 a gal., in the case of Maryland. Domestic producers aren't afraid of foreign competition as long as the $1.25 per gal. tariff on still wine and $6 a gal. on sparkling wine keeps imports in the luxury brackets.

Those much-discussed imports from Latin-American countries are scarcely a drop in the wine bucket. Chile led last year, selling us 34,420 gal. Argentina followed with 13,254 gal. Brazil sent 105 gal. Total imports were 3½ million gal. France and Italy ran neck and neck with 970,000 gal. each.

Rent, $252; Income $1062

Financial survey of housing in 61 cities shows both tenant and home-owner hard hit.

How much rent does the average city dweller pay? How much of his income goes to rent? How much income has the average American family in urban areas, anyway?

These and other pertinent questions bearing on the housing problem are being answered in a survey of 61 cities just completed by the Department of Commerce, entitled a "Financial Survey of Urban Housing." Every state is represented. Here are some of the results based on conditions in 1933, but probably not far wrong today:

(1) The typical tenant family in 61 cities paid $21 a month rent in 1933 compared with about $27 in 1929, a 23% reduction.

(2) Family—not individual—income averaged $1062, a 32% decline from 1929.

(3) Some 27% of the 165,000 tenant families were behind on rent payments on Jan. 1, 1934.

(4) Wages and salaries are 92% of the family income. Other sources—roomers, boarders, investments.

(5) The head of the average tenant family was employed only 65% of full time in the first year of recovery.

Detailed information of utmost significance to business is available for 23 of the 61 cities.

(1) *Family income in 1933:* Tenant families according to the 1930 Census comprised 53% of all urban families. In most of the towns at least half of the tenant families had incomes in 1933 below $1000. In Southern centers, the proportion ran higher, as earnings of Negro families were included. Here are samples:

1933 Tenant Family Incomes

	% Under $1,000	*% Over $2,000*	*Average*
Burlington, Vt.	51	15	$1,125
Williamsport, Pa.	71	7	787
Cleveland, Ohio	50	25	1,138
Knoxville, Tenn.	65	9	900
Shreveport, La.	62	11	936

Incomes of families who owned their own homes were considerably higher than those of tenant families. In Lansing, Mich., tenant families averaged $966 a year, propertied families $1204. In Minneapolis, tenant families averaged $1220 per year, home owner families, $1530. But compared with 1929, the income of home owners declined more than income of tenants. For example, Cleveland home owners had to manage in 1933 with 43% less income than they had in 1929; tenant families sustained a 35% cut.

(2) *Proportion of rent to income:* Cost of living indices based on wage earners' budgets usually assign 20% of income to rent, but the range in this survey ran from 8% to more than 100%. Averages by towns ran from 20% to 28%, with the combined showing for 61 cities 23.7%. Proportion of delinquencies rose from 9% among families who spent less than 10% for housing accommodations to 33% for those whose whole income equalled only the rent. Nashua, N. H., reported only 11% of its tenants behind in rent as 1934 opened; Paducah, Ky., where rents averaged only $12 a month, had 40% of its tenant families listed as delinquent.

This unsavory record among tenants is outdistanced by the record of mortgage delinquencies among home owners.

	Properties Delinquent as to	
City	*Mortgage*	*Rent*
Cleveland, Ohio	62%	30%
Birmingham, Ala.	59%	36%
Casper, Wyoming	34%	17%

(3) *Rooms per house:* The average home occupied by its owner averages close to 6 rooms. In Maryland, close to 7 rooms. Nor are the premises crowded. Fewer than 4 persons inhabit these 6 room dwellings.

(4.) *Extent and amount of mortgage:* On owner-occupied houses, the number subject to mortgage ran from 31% in Paducah, Ky., to 67% in Cleveland. The amount of the mortgage was anywhere from 42% of the value of the property in Nashua, N. H., to 68% in Asheville, N. C. The average value of homes occupied by their owners ranged from $2106 in Paducah, Ky., to $6249 in Cleveland, Ohio.

(5) *The mortgagee:* There is no typical owner of the urban mortgage. The savings bank appears to be in the minority in this survey. Individual holders and insurance companies bulk large. In Hagerstown, Md., individuals hold 72% of the mortgages; in St. Paul, 51%. Insurance companies hold 47% of Asheville, N. C., mortgages, 61% of those of Jackson, Miss. Contract interest rates were in no case under 5%, were more often above 6%, with effective interest rates even higher. In the Far West, the average contract rate exceeded 7%.

Nor is there any uniformity in the length of time covered by first mortgage loans. In Oklahoma City, less than 7% run under 5 years while 66% run for 10 years or more. The reverse is true in Hagerstown, Md., where 53% of the mortgages are for less than 5 years.

New Trains Come With a Rush

A year ago, there were 2 of the new-type flyers; today 17 are on the rails or building.

JUST a year ago, Union Pacific and Burlington startled the public—and the other railroads—with a new type of passenger train. Today, 17 trains of the new types are on the rails or being built. Nothing like this swift evolution ever has been seen in American railroading.

Of the 17 new trains, 5 are aluminum, 5 stainless steel, and 7 of heavier alloys but still, of course, lighter than conventional materials of the past. Lightness is the real secret. Streamlining is mostly packaging for the public eye. The real object is speed, economical speed. The steam locomotive can match any speed any other engine will show. But the lighter equipment makes for quick starts, quick stops, and economy. It was not to be expected that steam locomotive builders would take all this sitting down. Improved types of their engines are already in the works.

Deliveries Rushed

Six of the new trains are now on the rails and 3 of 11 still in the shops will be delivered this month.

The Edward G. Budd Manufacturing Co. has built 3 *Zephyrs* for the Burlington and a similar train, the *Flying Yankee*, for the Boston & Maine–Maine Central. Delivered in April, 1934, the first *Zephyr*, a 3-car articulated train, was put in regular daily operation between Kansas City, Mo., Lincoln and Omaha, Neb., on a 5½-hr. schedule last November, after an exhibition cruise through 24 states. The traffic demand was so great that within 30 days a fourth car was ordered.

While traffic on the Burlington lines as a whole was 26% greater in December and January than a year previous, traffic on the *Zephyr* was 193% greater than on its steam predecessors. The *Zephyr* probably has diverted some traffic from other trains on the same route and from other railroads, but it seems to have attracted most of the increase in patronage from the highways; 32% of the passengers have replied to a conductor's questionnaire that, with no *Zephyr* to ride, they would have used automobile, bus, or plane.

Zephyr Multiplies Passengers

An analysis by Coverdale & Colpitts, New York consulting engineers, calculates that an increase of 50% in traffic can be attributed to the *Zephyr* in November and December, 1934. On this basis, the increase in net revenues due to the service of the new train would amount to $45,000 a year. On the run where the *Zephyr* is now operating, the cost of operation is slightly more than half that of the steam trains it replaced, 34.21¢ per train-mile against 63.75¢. This comparison indicates a saving in operating expenses of about $53,000 a year. The Budd company claims that the *Zephyr* will pay for itself in 2 years.

The *Flying Yankee*, also a 3-car train of the *Zephyr* type, was delivered by Budd to the Boston & Maine a month ago. Its excursions to "nowhere" in New England have been very popular and it will be put in service this month on the run connecting Boston, Portland, and Bangor.

The *Zephyr Twins*, 3-car trains built by Budd for the Burlington, will be put in regular service about Apr. 21 between Chicago and the Twin Cities, one running in each direction daily, 431 miles on a 6½-hr. schedule, an average of 66.2 miles an hour, including stops. The *Twins* will compete with the Chicago & North Western's "400," a Pacific-type oil burner hauling standard cars that was placed in operation Jan. 2 on a 7-hr. schedule, to be cut Apr. 28 to 6½ hrs. for the 408-mile run to St. Paul.

Burlington has ordered another *Zephyr*, a 4-car train, to be christened *Mark Twain*, for service between St. Louis and Burlington, Ia., via Hannibal, Mo., the author's childhood home. The new member of the Burlington fleet may be completed in time to participate in the Mark Twain Centennial that Hannibal is now celebrating.

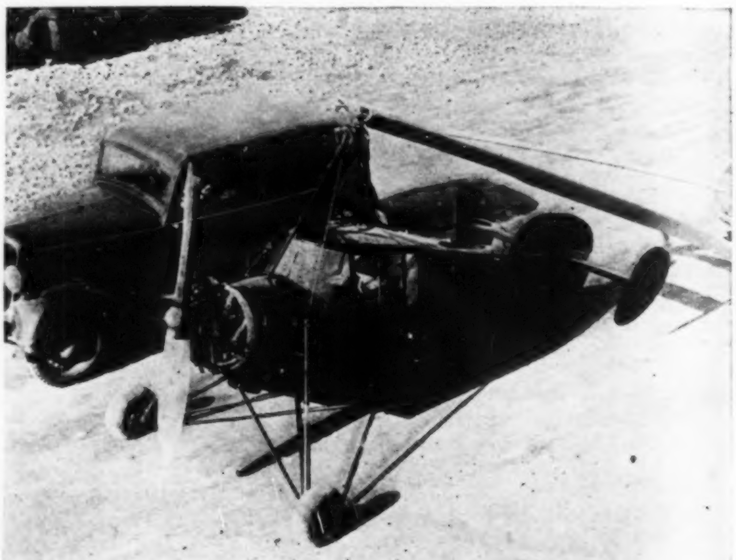
All of the *Zephyr* trains built by Budd are of shotweld (registered trade-mark) stainless steel construction, Winton-diesel powered, with engine, generator, motor, control apparatus, and air compressors assembled and installed by the Electro-Motive Corp., a subsidiary of General Motors which has just purchased a 70-acre tract in McCook, Ill., where it will build this summer the first complete plant for manufacture of diesel-electric locomotives.

Public Likes It

The Union Pacific 3-car aluminum streamliner, which was the public's first glimpse of the new model in railroad trains, was built by Pullman-Standard Car Manufacturing Co. early in 1934 and placed in service between Kansas City, Mo. and Salina, Kan. in February this year on a 3½-hr. schedule for 187 miles. Because of its popularity, an additional run from Kansas City to Topeka was added on Feb. 23.

The train with which U.P. hung up a record of 56 hr. 58 min. from Los Angeles to New York, 3258 miles, last October is a 6-car diesel-electric aluminum train built by Pullman. This and two 8-car trains, including sleeping cars, now being built by Pullman, will be placed in service this spring between Chicago and Los Angeles, San Francisco and Portland respectively on schedules of less than 40 hours.

Goodyear-Zeppelin Corp. will deliver a 4-car aluminum train to the New



Acme

ROAD WORK—Not only can this new autoplane, built by the Autogiro Co. of America for the Bureau of Air Commerce, land and take off within the confines of a tennis court, but it can also go out along the highway and look for its own field. Its rotor blades, which spin at new high speeds permitting shorter take-offs, can be folded back—thus making garage storage possible—and by means of a special clutch, the motor can be applied to driving the landing wheels.

Haven this month for service between Boston and Providence. The unique feature of this train is the Westinghouse diesel-electric engine in each end of the train to eliminate a turn-around.

After appraising their situation as regards equipment and competition, several roads have taken what may be an intermediate step by ordering steel alloy equipment that, in general, is heavier than either aluminum or stainless steel but much lighter than ordinary steel.

Milwaukee Road in Race

The Milwaukee is building in its own shops two 4-car semi-lightweight trains for the race with the Burlington and the Chicago & North Western between Chicago and the Twin Cities. These trains will be hauled by 2 oil-burning steam locomotives with 84-in. wheels and 300-lb. boiler pressure, now being built by the American Locomotive Co.

Illinois Central will put in service between Chicago and St. Louis a 5-car Corten steel streamline train now being built by Pullman and powered by a diesel-electric engine. Baltimore & Ohio will step up its schedule between the same cities with two 6-car Corten steel, semi-streamlined, non-articulated trains that will probably be delivered this month by American Car & Foundry Co. One will be hauled by a diesel-electric locomotive and the other by a reconstructed steam locomotive. Take it from Daniel Willard, nothing can lick steam.

American Car & Foundry Co. is also building two 4-car streamlined but non-articulated trains of semi-lightweight construction for the Gulf, Mobile & Northern. These trains will be powered with McIntosh-Seymour diesel-electric engines and will be put in service between New Orelans and Jackson, Miss.

Long-Haul Jobs

A 3,600-hp. diesel-electric locomotive is being built by Winton to pull the Burlington's *Aristocrat* between Chicago and Denver without change of car equipment. The Sante Fe will use another to haul the *Chief* between Chicago and Los Angeles. New York Central is continuing experiments in streamlining its Hudson-type locomotives.

Railroads now investigating the possibilities of light-weight high-speed trains include the Katy, Wabash, Green Bay & Western, Chicago & Eastern Illinois, Seaboard and Panama Railway. Many others are studying the type of service to which such trains may be best adapted. Economy of operation is a major factor in service of any sort but the new type train probably will be used to the best advantage, at least for several years to come, on relatively short, daylight runs where highway competition has cut heaviest into rail passenger traffic. High-speed operation will increase the radius of daylight travel, thus attracting a class of patronage which the railroads need the most.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

TREAD of a new Seiberling Sealed-Air tube for automobile tires has many compartments, formed by bulkheads of cured rubber and filled with soft plastic gum. The idea is that when an object puncturing the tube is withdrawn, the gum will close the hole.

A NEW system of steel-tied brick wall construction, offered by S-O-S Brick & Tile Corp., employs standard-sized grooved bricks in conjunction with steel reinforcing rods, and is claimed to be highly resistant to earthquake, storm, explosion or cyclone shocks.

PACIFIC ELECTRIC MFG. CO. offers a self-propelled machine that cleans carpets and rugs while on the floor, at the rate of 6½ sq.ft. per minute by pumping a regulated flow of automatically heated cleaning fluid through the nap of the carpet and drawing it back again.

POWERFLARE, made by Delta Electric Co., is a portable electric lamp, operated by dry battery, that can be used as flashing red danger signal on motor vehicles stalled or stopped on highways, by emergency crews, on road excavations, etc., and is convertible to give a constant white light for use as a trouble lamp.

THE Merchants & Manufacturers Co. makes a new window cleaner that has sponge rubber on one side, a squeegee on the other, permitting the whole job to be done without change of tools.

LANCASTER PROCESSES, INC., claims that the Lancaster disperser provides complete control of rate of feed and recirculation, eliminates air infiltration and foaming, turns out smooth and uniform dispersions and emulsions of asphalt, paper coatings, and other heavy liquids.

TYMIT is a new plug-in type of time switch offered by Tork Clock Co. for turning domestic electric appliances on or off at any hour previously determined by setting control hands on a 24-hour clock dial.

HAMILTON MFG. CO. offers a new line of combination steel and wood drafting tables, equipped with the Hamilton parallel-rule device and tilt control. A special attached drafting chair is optional equipment.

DIALUX is a luminescent paint which Grobet File Corp. advertises as containing no radio-active matter, not inflammable or toxic, easily applied to cloth, glass, metal, paper, wood, or rubber.

13 Points for Utilities

Challenged to produce constructive alternative to Rayburn death sentence, Commonwealth & Southern Offers vigorous program for holding companies to support.

THE answer of the public utilities to the challenge of the framers of the Rayburn Public Utilities (Holding Company) bill, that the utilities produce something constructive as an alternative, was met this week by an offer by Wendell L. Willkie of 16 amendments to existing laws, and the presentation of 13 trenchant principles for utilities regulation. Mr. Willkie said that he spoke only for himself and as president of Commonwealth & Southern, but from now on all the witnesses for the utilities have, at least, something to shoot for instead of merely the Rayburn bill to shoot at. It remains to be seen whether the Willkie proposals will be supported with full enthusiasm by all members of the holding company clan.

Three Basic Points

His proposed amendments are to the Securities and Exchange Acts, to the Revenue Acts and to the Federal Water Power Act. He holds that with these amendments to existing laws, the objective of wise and effective regulation can be attained. He said it was impossible to offer changes in the Rayburn bill, because Title I (which applies to holding companies) "is designed as a liquidating statute." He believes regulation alone can accomplish all needed.

He lays down as his thesis the principle that any legislation must be based on 3 considerations: (1) of the character of the industry and its operations; (2) of the objectives of regulation; and (3) of the existing processes, machinery, and results of regulation. He holds that regulation alone cannot secure adequate service at fair rates, that the problem of regulation is the proper balancing of the two factors of regulation and management, and that present state regulation (effective in all but 8 states) can do the job, with the supplementation of the federal regulation he proposes, and without the necessity of duplication of control or censorship.

Doesn't Pull Punches

Of his 13 points, 10 are directed, full-tilt, at the abuses of the past and do not pull their punches even though they strike at still existent abuses. The text of the memorandum, addressed to the House Committee on Interstate Commerce, defends the concept and the principle of the holding company, and answers in detail all of the 12 charges against the holding companies which are enumerated in the text of the "Public Utility Bill of 1935" and the 19 charges in the summary of the Federal Trade Commission Report on Utility Corporations. He has shifted the limelight from the demand for abolition of holding companies to proposals for regulation. His proposals leave to the operating companies the services that were rendered by the holding companies in the expansion era before 1929. He excludes definitely the opportunity for the admitted excesses of that adventurous period.

The securities abuses of some old holding companies would be made impossible by various new powers given to the Securities and Exchange Commission, and by giving preferred stockholders a vote to counterbalance the common stock monopoly of the holding-company device. The absentee ownership evil would be eliminated, as provided in the Rayburn bill, by requirements as to board membership and place of meeting.

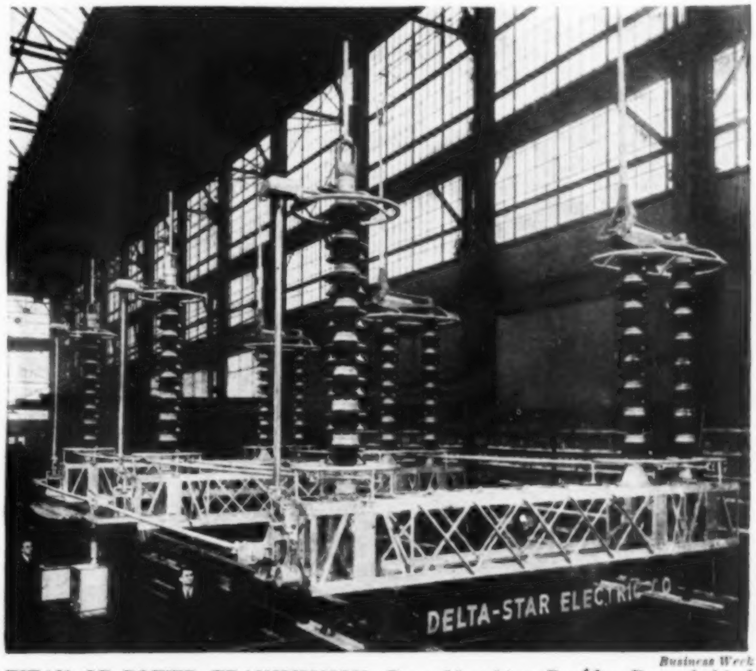
The alleged abuses in service and supply charges would be eliminated by making it illegal for officers of holding companies to own more than 1% of the stock of service companies and requiring that services to a substantially wholly-owned operating subsidiary should be rendered at cost, and to those not so owned, at no more than a reasonable profit.

Financial abuses, like upstream loans (where a prosperous unit of a group is made to pay deficits of an unprofitable unit through loans to the holding company) could be controlled by a regulation forbidding them, unless they were approved by a state or federal commission. The old game of requiring operating company employees to sell quotas of holding-company stock to their friends could be wiped out by a new SEC regulation.

Uniform Accounting Plan

The uniform accounting system, also proposed in the Rayburn bill, can be handled, Mr. Willkie asserts, by amendments to the Securities Act, in the absence of state rules to this effect. This will speed the departure of an "intermediate company" when its functions end. The commission could also be given the very important power of making investigation of charges in accounts, but only at the request of state commissions, eliminating the much disliked federal bureaucratic snoopers, but retaining the open books.

The reorganization of the utilities companies which would have to follow these regulations would be facilitated by an amendment to the Revenue Act exempting from taxation the necessary



Business Week

TITAN OF POWER TRANSMISSION—Record-breaking Boulder Dam—behind which a man-made lake is rapidly filling in—has demanded some record-breaking equipment, including these 287,000-volt disconnecting switches. Sixteen such 15-ton motor-operated switches, costing $10,000 each, will be installed at 2 desert stations on the 240,000-kw. transmission line from Boulder Dam to Los Angeles. They are designed to withstand temperature variations from 10 to 135 deg. F.

transfers of stocks and other equities during the simplification period.

Finally Mr. Willkie, by an amendment to the Federal Water Power Act, would provide for interstate power boards, composed principally of state commissioners, to pass upon interstate wholesale power rates. This last has been advocated by the National Association of Railroad and Utilities Commissioners. It is a definite gesture in favor of the strengthening of state regulation, and recognizes the logical economic area principle of integration.

Power for Recovery

Survey shows $16-billion spending program could be swung into action by the electric utilities—"if released from government threat."

THE increased demand for power which the Federal Power Commission expects to hear from as business returns to "normalcy" will find the country short 3 million to 4 million kilowatts of electric generating capacity. Another 2 million kilowatts is obsolete and should be replaced. The government power program which is making so much noise meets the issue at only a few points. To play safe on the nation's coming need for current calls for an early expenditure of some $300 millions for generating stations.

This is the gist of the first part of an interim report on its National Power Survey just released by the Power Commission. Utility men working under what they call the "strangulation threat" of the Rayburn bill took due note.

For this or any other planning job they—and everybody else interested in the power problem—had before them this week the monumental "recovery issue" of *Electrical World*, recognized authority on the electric utilities. This issue, with 80 pages of editorial text, charts and tables, presented a completely rounded picture of the industry, a vast amount of statistical data, and conclusions to the effect that if the electric utilities were released from the threat and fear of government destruction, they could quickly stimulate a 2-year recovery spending program that would create $16 billions of new business, put 1 million more men to work, spend $1 billion annually in payrolls. But there was a warning that this cannot be done under attacks that keep "executives who should be directing the forces of expansion busy putting out fires."

These promising figures are derived from a survey revealing that a 2-year recovery drive should result in sales of electrical goods and equipment amounting to $3,763,000,000. Estimates of the effect of such sales break down like this:

Electrical Manufacturers and Distrib-

ators: Would create a business volume of $6,428,000,000, put 414,000 men to work, boost the 2-year payroll $1,180,-000,000.

Would Need More Current

Electric Utilities: Would spend $3,-021,800,000 on plant to meet the increased demand, making 200,000 jobs the first year and 120,000 the second, calling for a 2-year payroll of $364,-000,000.

Sales Promotion: Would demand expenditure of $300,000,000, with jobs for 15,000 and a 2-year payroll of $30,-000,000.

Supply Industries (steel, building, machine tools, etc.): Would get the effect in a business volume of $3,300,-000,000, providing work for 311,300 more men, on a 2-year payroll of $493,-400,000.

And this, says *Electrical World,* is conservative, since the estimates are based on the job of filling only 10% of the actual electrical needs of American homes today. It figures that, while the flatiron business is fairly close to "saturation," $6 millions covering the ready market, the country needs 12 million vacuum cleaners (worth $668 millions), 12½ million electric washers ($818 millions), 16 million refrigerators (nearly $3 billions), 20 million electric ranges (nearly $3 billions).

Barges on Shoals

Promised for June, Missouri River barge line still has a lot of obstacles to surmount.

WHILE promising that Kansas City's barge service (*BW—Jun2'34*) will be inaugurated in June (a full year behind the first announced schedule), Maj.-Gen. T. Q. Ashburn, president of Inland Waterways Corp., admits that the future of Missouri River navigation depends on a string of "ifs" nearly as long as Big Muddy.

Some of the difficulties: (1) Barge traffic solicitors are unable to get cargoes away from the rails until ICC sees fit to grant attractive joint rail-water tariffs; (2) for the present, favorable differentials apply only to port-to-port shipments, the potential amount of which is negligible; (3) unloading facilities, supposed to have been installed last year, at the Kansas City, Mo., municipal wharf, are still lacking. There are no provisions for riverside storage or loading of the grain which would constitute the main cargoes for the barges; (5) shipping interests continue lukewarm toward the river development. Kansas City, Kan., however, has just secured a $1-million federal loan and an outright grant of $482,000, to which it is adding $300,000 raised by a bond issue, for an elevator, wharves, and docks.

Wide Reading

RED MAGIC. Niels E. Hansen. *Country Gentleman,* March. Russia has developed a perennial wheat, which needs to be resowed only once in 10 years. An agronomist from the drought-stricken West describes developments in fruit and grain culture which he discovered in Russia.

BURNING DOWN THE HOUSE. W. W. Cumberland. *Review of Reviews,* April. One of the best-informed economists in Wall Street confesses that the utility holding companies have some bad points, but suggests they be reformed and allowed to live.

MODERN ARCHITECTURE IN POLAND. *Architectural Forum,* March. Special feature section devoted to Polish interpretation of modernism in public buildings and apartment houses.

WHAT THEY THINK IN THE WEST. George E. Sokolsky. *New Outlook,* April. The public west of the Rockies is afraid of communism. Five years of fear have left their imprint on public sentiment.

GLASS AS A BUILDING MATERIAL. *American Architect,* March. Description of types and sizes of glass used in architecture; extensively illustrated.

REPORTS—SURVEYS

HOUSING OFFICIALS' YEAR BOOK, 1935. National Association of Housing Officials, Chicago, 73 pp., $1. Log-book of the first 1½ years of the low-cost housing movement in the United States since the government became actively interested in it. Proceedings of all the agencies in the public housing field. Reports of state and local housing agencies.

MANUFACTURING DEVELOPMENTS IN ARGENTINA. Bureau of Foreign and Domestic Commerce, Washington, 26 pp., 5¢. List of industries; capital invested; number of establishments; value of production; number of employees.

THE UNITED STATES HOUSING MARKET. William K. Wittausch. Federal Housing Administration, Washington. Map showing geographical distribution of the housing market. Reveals: 40% of market is in 5 states (New York, Pennsylvania, Ohio, Illinois, California); less than a third of the states get three quarters of all the business. Indicates extent to which concentrated promotional efforts of national distributors can achieve maximum market coverage.

THE MARKETS OF THE SOUTH AND SOUTHWEST. *Manufacturer's Record,* Baltimore, 27 pp., $1. Summary of the South's economic progress, covering 16 states. Includes data on income, construction, wholesale business, resources, production, by states.

PRODUCT DEVELOPMENT. Metropolitan Life Insurance Co., New York, 23 pp. How certain successful companies have widened markets and increased profits by recreating existing products or developing new ones.

BOOKS

HOW TO UNDERSTAND BANKS. John Y. Beaty. Business Publications, Inc., 315 pp., $2.50. Makes banking a simple, comprehensible business operation; intended to show business man or individual depositor how to select, use, and help his bank; equally good reading for bankers.

Ice Cream Case

Brave FTC adds lobbying to things it thinks it might control.

Ice cream manufacturers, who are always finding something new, have even found something new for the Federal Trade Commission—so FTC says. For the first time, that prosecuting arm of the government, which is pretty good at surprises itself, has issued a complaint of unlawful restraint of competition directed chiefly at alleged lobbying activities of the respondent. The respondent is the International Association of Ice Cream Manufacturers, with which are joined its officers and some of its prominent member companies, such as National Dairy Products, The Borden Co., Golden State Dairy.

Fight on Counter Freezers

The "competition" in question is that of the manufacturers of "counter freezers" designed to be set up in retail stores; also that of the retailers, frequently erstwhile ice cream company customers, who set them up. The big companies are charged with having covered a wide range of discouraging activities to persuade and frighten dealers against installing such freezers. The association is accused of organized assistance in leading the attack, particularly the attack through legislative lobbies aimed at the introduction of laws that would make counter freezing difficult if passed, and unsell counter freezer prospects even if only debated.

When the answer to this complaint is heard May 3, the ice cream manufacturers will face chiefly the Mills Novelty Co. of Chicago which has added counter freezers to a long line of mechanical products, including slot machines. This concern has been a leader in the discovery that some big-city retailers of ice cream might be persuaded to buy mechanical freezers (usually 20-qt. size) which could be installed in their own stores to make into ice cream a combination of milk, cream, sugar, flavor, and other ingredients purchasable from mix companies at considerably less than the finished ice cream supplied by the members of the association.

Sanitary Objections Raised

The path to success has not been an easy one since several state legislatures and city councils have shown considerable doubt as to the sanitary conditions of freezing by small dealers and have put difficult regulations in the way of some of them. The suggestion that such doubts were started and have been profitably utilized by ice cream manufacturers will now engage the wide-roving interest of the Trade Commission. And if lobbying is going to be subject to cease and desist orders FTC may expect to hear from a lot of interested parties.

Railroads Win a Thin Edge

ICC and the courts give the roads a slight break—but there are "buts."

THE railroads got a bare edge of advantage in the recent rapid march of events. They got half a loaf from the Interstate Commerce Commission on their prayer for higher freight rates, but it was barely enough to cover the final 5% wage cut restoration that came Apr. 1. They got an OK from the Supreme Court on Sec. 77 of the Bankruptcy Act to make reorganizations easier, but find it a dearly bought victory because it threatens to weaken their credit with the RFC, the only banker that has stood by them.

Still hanging fire is the Supreme Court decision on the constitutionality of the Railroad Retirement Act with its potential $67-million further annual drain on income. The bus and truck regulation measure is making slow progress through Congress, may be the sole phase of the rail relief legislation program to squeeze through.

This seems to railroaders dishearteningly little progress. They see the situation rapidly coming to a head. The Chicago, Milwaukee & St. Paul is drifting toward the courts, largest so far of the 62 in receivership or undergoing reorganization (*BW—Mar9'35*).

The Interstate Commerce Commission denied the petition for a blanket 10% rate increase (*BW—Sep1'34*), gave the carriers permission to impose surcharges during a 15-month "emergency" period. Following the pattern of emergency charges allowed during 1932 and 1933, the increases are designed to scalp a little extra revenue here and there where least likely to drive more traffic to the highways.

ICC Doubts Benefits

Of 9 commissioners, 4 dissented because they feared even these increases would divert so much traffic that their purpose would be defeated. The majority conceded "room for doubt."

Greatest latitude is allowed for long-haul carload traffic where charges may be upped 7% for some types of freight. No increases are allowed for less-than-carload shipments under 220 miles, and increases on longer hauls range from 1.3% to 8%, increasing on the higher-rate classifications.

If the lines hold most of the business subjected to the rate increases they may get upwards of $85 millions extra annual revenue. They calculated that the 10% general advance would have netted them $170 millions.

Against the contingent revenue gain, the roads shouldered a positive additional charge of $80 millions when the last half of the 10% wage cut made by agreement with labor in 1932 went back on the payrolls. Pay is now back to 1929 levels.

The railroads have been preparing to serve notice on labor for reinstatement of the 10% cut May 1, the first date possible under their agreement. Plans will probably go ahead now that the ICC gave them only part of what they asked. They will cite a $137-million annual increase in material and fuel costs. Labor may counter, citing higher living costs. A minimum of 4 months must be devoted to negotiations.

Big Road in Trouble

Meanwhile the financial prospects of the lines deteriorate. The Milwaukee, which came out of receivership in 1928, got over a bad hurdle last year by extending a $7-million maturity, borrowed from RFC to meet fixed charges earlier this year, gave up the hopeless struggle April 1. It paid its fixed interest charges as of that date but failed to meet $900,000 principal amount of equipment trust certificates, stated it would seek no more loans but would have a reorganization plan ready by July 1.

The line, operating 11,226 miles between Chicago and the Pacific Northwest, found that reorganization in the atmosphere of 1927-28 did not scale debt enough. Since October, 1930, it has made no payments on the $183 millions income bonds; $45 millions back interest has accumulated. In 4 years it has incurred $25 millions deficit before interest on these bonds.

Railroad reorganizations were made easier when the Supreme Court this week held that Sec. 77 of the Bankruptcy Act "freezes" secured creditors into a reorganization situation, prohibits them from selling out their collateral or using their position as a whip to dictate terms. It also put a spur to recalcitrant stockholders, however, by saying that reorganization must proceed with dispatch or the cases would be thrown back into equity receivership.

But if RFC is "frozen" into pending reorganizations along with other secured creditors, it can do less to relieve new distress, must ration its credits more carefully, steer clear of prospective reorganization situations. This catch develops just as the corporation is starting to use its new powers to aid carriers. Its first step in that direction was to underwrite an extension plan for $29 millions Colorado & Southern bonds maturing May 1. But the corporation moved carefully even in this, requiring $2 millions bonds of the strong Burlington parent line and $1 million government bonds as additional security.

Business Week

READY-TO-SMOKE CIGARS—Relegating the vest-pocket clipper to the limbo of obsolete equipment, the American Machinery & Foundry Co. has developed a machine to pierce the end of the cigar, thus preventing damage to the wrapper in cutting. Several manufacturers are experimenting with the device; one maker of a popular 5-center (left) inserts a paper tube to keep short filler from clogging up the hole.

Stockholders Speak

Sometimes, as in the Hupp row, they mean business; sometimes, as with Crane, it ends in friendliness.

TURN about is fair play in corporation management fights, Archie Andrews of Chicago, New York, and Detroit is discovering. Last fall he forced his way to control of Hupp Motor Car Corp. after a proxy fight that gave Detroit's motor circles much to talk about, little to say in print. Now he is under fire.

J. Walter Drake, a predecessor of Andrews as chairman of Hupp's board, has brought suit in the Detroit U. S. District Court to force Andrews out of that position. The New York Stock Exchange asked to be enlightened about certain stock options it hears were altered in Mr. Andrews' favor, mentioning delisting unless satisfactory explanations were forthcoming.

On his part Mr. Andrews undertook a "purging" of Hupp's office staff through a one-day lockout while the white collar workers of the Detroit office were "vacuum cleaned" to uncover the disloyal informants who gave Drake the facts for his court action.

Besides the ouster of Andrews, the

petition sought, and got temporarily, an injunction against him and his alleged "dummy" directors from carrying out reputed stock option, salary, and commission contracts.

Parts Makers Obdurate

Also under fire is the Andrews high pressure sales campaign (*BW—Mar16 '35*). Mr. Drake claims the "cigarette lighter" automobile owner survey which is to supply Hupp buyers, at $65 a throw, is owned by Andrews. The handicap that Hupp has experienced in maintaining regular deliveries is also explained on the basis that parts suppliers will deal with the firm under Andrews' management only on a C.O.D. basis. (Hupp is said to have 3,000 orders on hand it cannot fill.)

Hupp distributors, who feel the company has a good product, and have great confidence in the production end of the business, under A. J. Brandt, met in Chicago to form a protective association. They are supporting Drake in the fight.

Two other well-publicized management fights turned out to be teapot tempests. In Boston the American Woolen stockholders supported the Noah-Warner management with a generous majority of votes. Lionel J. Noah, formerly of Gimbel Brothers' New York department store, and William B. Warner, president of McCall's Magazine, who went into the company in 1931 to reorganize its merchandising, met some heckling by holders who were disappointed that 1934's slack volume and low prices did not reproduce the liberal profits of 1933's boom in woolens. Salaries and management bonuses were at issue although it was revealed that Noah had taken a voluntary cut in pay in 1932 after being drafted into the job.

Investment in Management

The Crane meeting in Chicago, headlined as a fight, turned out to be quite a different thing. The Crane family, still in control of the pioneer plumbing concern, decided to do some scientific management buying. They selected to head the firm C. B. Nolte, for the last 6 years president of Robert W. Hunt & Co., consulting engineering concern that has served Crane on production and product problems. Besides this connection with the company, Nolte has been a director and member of the company's executive committee since the revamping of its personnel in 1931 following the death of its founder, R. T. Crane.

John B. Berryman, 73-year-old veteran with 43 years in the firm, and president since 1931, was made chairman of the board, but the only excitement in the meeting was from the successful independent campaign for a place on the board by A. G. Gartz, Jr., nephew of the founder. He had been dropped from the official slate which was reducing the board from 13 to 9 members.

Copper Drafts World Code

Prices firm up as world copper producers agree to cut production, "cooperate" in marketing.

WORLD copper producers have taken a leaf from NRA, propose to do for the red metal abroad what the code has done for it here. And already, with a 1¢ price advance rewarding their efforts, they see a rosier hue pervading their industry.

Producers of 75% of the copper mined outside of the United States participated in the conferences which began March 8 (*BW—Mar9'35*), concluded a week ago. Their 3-year agreements include: (1) a cut of 240,000 tons annually from current production, beginning June 1 and running indefinitely; (2) establishment of an international statistical office to help keep supplies in balance with demand; (3) adoption of uniform trade practices; (4) "cooperation" in foreign markets by those other than active participants in the agreement—specifically, Canadian and United States producers. Sales pools and price fixing were omitted. In their stead there was agreement on "an effort to insure stable markets and avoid wide fluctuations in price."

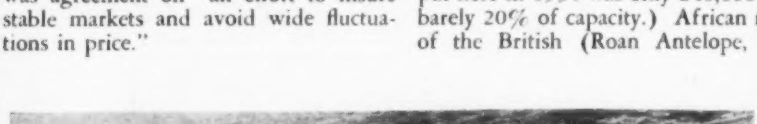
Consuming markets (Germany, Great Britain, Japan are the biggest users outside of the United States) started looking to supplies upon announcement of these plans. Reserve stocks estimated at almost 600,000 tons of the refined product in all positions, are too liberal to cause much anxiety, though curtailment proposals plus rumblings of war plus the flight of nervous money into commodities did send prices up. Trade interests are happy that they have gone no higher for the present. They feel that a further advance to 8¢ within the near future would be better than a sudden speculative rise which might discredit their intentions for moderation, price-wise. The 8¢ copper price would be 1¢ under the domestic "blue eagle" level.

A cut of 240,000 tons represents a 20% curtailment from 1934's near-record production of 1,123,100 tons, excluding the United States. (Mine output here in 1934 was only 240,000 tons, barely 20% of capacity.) African mines of the British (Roan Antelope, Rhokana) and the Belgians (Katanga), together with the Chilean properties of Kennecott and Anaconda, will stand most of the cut. Important as this cut is, metal interests attach even more significance to the statement that cooperation was assured from producers not actively participating. That is taken to mean that Canadian interests with their by-product copper and United States producers with their surplus beyond domestic needs will not break the foreign markets by dumping. Though admittedly basic to the whole agreement the mechanics of their cooperation was not revealed. Other major producers do not cover their own requirements, import metal on balance, hence do not disturb world trade.

Home Industry Happy

Domestic copper interests are enthusiastically optimistic about prospects for world cooperation. Although recovery in their own trade has been deferred far beyond original expectations they are content under code restrictions—even to point of continuing to give the lion's share of current business to secondary producers who get their metal from reclaiming scrap. Surely, if slowly, the surplus stocks are melting away, are less than one-half the 775,000 tons of a year ago when the code was adopted. But meanwhile, stocks have been mounting rapidly abroad. An alltime high of consumption (1,064,000 tons last year) was exceeded by production, and the rate of production continued upward after consumption tapered off, threatening worse market demoralization.

Observers at the conference noted particularly the difference in atmosphere from that which prevailed at the meeting that ended fruitlessly in 1932, just after copper had taken its long skid from 1929's postwar peak of 24¢ to 5¢ per lb. Three years of low prices, profitless operations for all but the most economical producers, and the willingness of American producers to "go along" until 1929's 2-million-ton world consumption could be reattained, contributed to the success.



Wide World

HOME IN THE WEST—When Pan American Airways Corp. begins its trans-pacific service—perhaps before the end of the year—this harbor at Alameda, Cal., will be transformed into a $3-million airport for the flying boats. Meanwhile, already fitted out with a temporary hangar and a concrete runway (leading out from the circular bay), it can be used as a base for the Sikorsky Clipper which has been specially equipped to blaze an experimental air trail. Encouraged in its hope for mail contracts by a statement from Postmaster General Farley and undismayed by the threat of a competitive line, Pan American last week dispatched a freighter with men and materials to establish its 5 Pacific island bases.

Automobile Exports

Overseas sales will be larger this year. Australia, South Africa, and South America best prospects.

AMERICAN automobile manufacturers are looking for an expansion of about 20% in their overseas sales this year, despite all the handicaps which have been imposed on them in foreign markets. Optimism is based on 3 factors: increased buying power in almost every part of the world; a new drive on the part of several producers to incorporate specialties of design for specific markets; and the new scheme of introduc-

ing fall (as well as spring) models to meet the twice-a-year new model habit of European producers.

Most promising foreign market is Australia. With a social structure which encourages the idea of a "car for every family" (in contrast with most of Europe), and with a population exceeding 6 millions, the market is far from saturated, and—with economic recovery—there is a new demand for replacements. South Africa is second to Australia only because there is a smaller white population (about 3 millions). Sales to both of these countries jumped last year, are likely to make similar gains this year. South America probably offers the next best market, with sales increasing as the countries continue to push back their frontiers.

Still Our Best Market

While various European countries have set up tariffs, quotas, and other import restrictions to protect a national industry or to protect the country's foreign exchange position (France and Germany are the two worst offenders), Europe as a whole (with its 475 million people) is still the leading export market for American cars. In England, despite the gains which British manufacturers have made in the last 3 years, and in spite of the tariffs, American cars can compete with English by offering the same delivered price.

Reason for this is that tool and die costs are very low per American car because of the enormous production volume in the United States, amortization of tooling costs being charged against 700,000 or 1 million cars in the case of the larger companies. Even Plymouth's production, averaging around 350,000 units a year, is higher than that of all English companies combined. This makes it possible for American companies to build cars at home, or ship parts to England and assemble there, pay duties and still compete in price with English companies. The English market is really restricted for American car makers not because of the high tariffs, which can be met, but because of government restrictions and other economic factors handicapping the entire English automobile industry. It is significant that the British have reduced the horsepower tax on automobiles this year at the request of their own industry. Gasoline is still very expensive compared with prices in the United States.

No Japanese Competition

The new Japanese midget car is offering little or no competition. About 90% of all Japan's automobiles are taxicabs or public conveyances. Only a handful of the wealthy own private cars. And the roads of the country are not suited to any mass expansion of the market for individual cars. American trucks last longer than the

more or less experimental cars produced locally, continue to sell in large volume.

Ford, England, is expanding manufacturing operations at Dagenham so that it can make parts for the V-8 engine and assemble the motor there, rather than import motors from Ford of Canada, as it has done in the past. Ford also has a working agreement with Mathis, French automobile manufacturer, for production of the V-8 engine in the Mathis plant in France.

Small Cars in Reich

General Motors and Ford make good showing in German market. More Fiats imported.

BERLIN (*Special Correspondence*)—German February automobile registrations attracted the attention not only of automobile manufacturers and dealers, but also of company executives and sales managers in allied branches of industry. Outstanding and rather unusual feature was an increase of passenger car registrations by 2,162 units, or almost 20% above the January figure. This created a stir because the great Berlin Automobile Show came only in the last part of the month, and the period just before the show is usually very dull.

Increase in February sales was largely confined to small cars, indicating that Hitler is having some success in promoting his theory of a "motorized Germany." All records for winter sales were broken by the General Motors-owned Opel works, whose February sales exceeded those in January by 82%, while the gain of all other firms was only 27%.

Opel's share of total sales established another record in February, being 61.2% against 41.4% in January, and 42.2% in February, 1934. This success is no doubt due to the bargain offer of the Opel company to all customers who placed their spring orders before the end of February. Competitors claim that it will be reflected in smaller sales later in the spring.

Another feature of February automobile registrations is the good showing which Ford makes with his new 8-cylinder model, on which he intends to concentrate. For the time being, this car is being assembled at the Cologne plant from imported parts. Manufacture of an "all-German" 8-cylinder Ford will probably not get under way till well into the fall of 1935.

A further significant feature of recent automobile developments in Germany is the lion's share which the Italian Fiat has recently secured in German automobile imports. In January, Italian cars made no less than 85% of total German automobile imports. This is due to the operation of the clearing agreement with Italy. As in other branches of industry, American suppliers are the main sufferers, due to the absence of similar arrangements between Germany and the United States.

LOOKING UP!—G. E. lamps simulate sunlight for those families living in dark court apartments in a 14-story building owned by Bowery Savings Bank in New York City. The 2 **ventilating shafts were painted** white and **1,000-watt Nova-Lux lights** were in**stalled up to the tenth floor.** A special **step-up and step-down** system imitates **daybreak and twilight,** spares unac**customed householders** the shock of **sudden brilliance.**

Banks Cut into Car Finance Pie

Profits of supplying cash for instalment purchases of automobiles tempt bankers to go after car buyers with promise of lower rates than finance companies.

THE large volume of business, rich profits, and low losses experienced by automobile finance companies (*BW—Mar23'35*) have emboldened commercial banks to try to get a cut of the car finance pie. The experiment, hugely successful in its first few months of operation, is being made by the Commonwealth-Commercial State Bank of Detroit, in the heart of motordom. Banks in other cities are considering a similar move.

Commonwealth-Commercial is carrying out the new program through its personal loan department. Loans are made to individuals on new cars (up to 66% of the delivered price) and on used cars (up to 60%) for 1 year, the bank taking a chattel mortgage on the car. The bank also will refinance present purchase contracts. In every case, the individual securing a loan must have a good credit rating in the community. Chief bait to get business is the charging of bank interest rates which are lower than those of car finance companies. The customer buys his car from a dealer on a cash basis, secures the necessary money, over and above the 33%–40% down-payment, from the bank at 6% interest plus a 2% service charge on new cars, at 7% plus the service charge on used cars. If monthly or semi-monthly payments on the loan are made promptly, the customer is paid 2% interest on his loan deposits, the same as he would get on a savings account. He must provide fire and theft insurance, but can place the insurance wherever he chooses (auto financing plans usually are tied in with compulsory insurance with a specified company as part and parcel of the transaction). The bank claims that the customer thus can finance a car purchase for about 3% less than if he dealt with a car finance company.

Specifically, the Commonwealth-Commercial plan works as follows: If $350 is needed to finance a new-car purchase (after down payment or trade-in is made), the bank issues a note for $380.71. The dealer selling the car gets $350; the customer pays $22.85 in interest (6%), $7.61 in service fee (2%), 25¢ for recording. The loan is paid back at the rate of $32 for 11 months and $28.71 for 1 month. The customer, when all payments are completed, receives a check for 2% interest on the money paid in monthly.

Business has been divided about 60% on new cars, 40% on used cars. Used-car loans are restricted to cars not more than 3 years old.

Commonwealth-Commercial, because it frowns on the practice of setting up reserves for dealers, is doing business directly with the car owner, relying on billboards and other forms of advertising to build up the volume of its automobile loans. Dealers, under pressure from car finance companies which do both a wholesale and retail business, are hostile to the bank's program.

The most compelling argument in

behalf of this program—"compare our auto loan rates and save money"—has already resulted in the lowering of rates in Detroit by at least one prominent car finance company. Where rates are not uniformly reduced, they are varied to meet individual competitive deals.

The Industrial Morris Plan Bank (Detroit) recently completed its first year of making loans for the purchase of motor cars, the plan being similar in a general way to the Commonwealth-Commercial plan. During that time it made more than 8,000 loans for a total of over $2 millions. In addition to financing new- and used-car purchases, it, like Commonwealth-Commercial, makes loans for worthy purposes with late-model cars accepted as collateral security.

Follow-Ups

When the news broke, *Business Week* told the story. Later developments add these postscripts.

RUG manufacturers have been standing pat, refusing to get excited about the row supposed to be raging over rebates on volume purchases (*BW—Feb 23'35*).

They did not even blink an eyelash last week, when NRA Divisional Administrator Prentice L. Coonley signed an order in which the code provisions under dispute were interpreted so that manufacturers could allow volume rebates to chains and group buyers. The point is that they simply don't want to.

They contend that volume rebates are justified when a single store or unit purchases the required quantities because there is a real saving in the handling of the orders, but that when an order for a large quantity is split up and shipments have to be made to numerous stores it ceases being a big order and becomes a collection of small ones on which no rebates can be granted.

Advertising Paid

The Brazil Nut Association, after disposing of the entire stock of 20 million lb. of nuts in this country last year following a spectacular single-insertion advertisement in 4 magazines (*BW—Dec 22'34*), is preparing a new advertising campaign to handle the 1935 crop. Eleven importers, 4 brokers, and 3 steamship lines are combining to popularize the "nigger-toe." Activities are financed through a fixed import levy.

New Fair Trade Laws

Matching the action taken in New Jersey last month (*BW—Mar23'35*), 2 more states, Washington and Oregon, have approved state laws, modeled after the California Junior Capper-Kelly bill, which will enable manufacturers to fix resale prices of their products by signing

contracts with retailers. Encouraged by this development, the National Association of Retail Druggists and other organized groups are pressing for the passage of similar price control legislation in a score of other states.

Shopping News Dog Fight

Chicago newspapers, which have found the free-distributed *Shopping News* with its department store advertisements a thorn in their flesh for the past 2 years (*BW—Oct5'32*), won a short-lived victory when Superior Court Judge Harry A. Lewis issued a temporary injunction against "cluttering" back porches and hallways with the *Shopping News* and ordered that the paper be securely fastened to doorknobs or elsewhere, or delivered in person. A property owner had asserted the paper was a nuisance; the fire department had pointed to scattered papers as a fire hazard. But the Appellate Court decided deliveries could go on as heretofore pending a hearing on appeal. Then this week the Appellate ruling was reversed by a Supreme Court judge who ordered compliance with the original injunction.

Business Week

METAL RADIO TUBES—General Electric claims many advantages for its new metal radio tube (left): less likelihood of breakage, better heat radiation, no shielding jacket, smaller size, short leads for better amplification. Reported to be particularly desirable for short wave reception, the tubes, which have an extra plug terminal, require special sockets, are not interchangeable with old tubes.

New Standard for Belgium

By devaluing the currency 28%, the Belgians ease internal debt pressure and regain export advantages.

BELGIUM has abandoned the gold standard, and devalued the currency 28%.

Following a year of wavering, and a week of near panic, the move caused little surprise. Belgium is now more nearly linked economically to the sterling bloc of nations than to the gold bloc, though the belga is devalued only 28% compared with the cut of more than 40% in the pound. Brussels dropped the belga after the war to one-seventh of its former value.

Liquidity Problems

Paris, fully aware of the problems which confront the Belgians, analyzes the situation simply. Belgian banks, like those of most other Continental countries, have the major part of their assets invested in industrial stocks. It has been said with some truth that one of them, the Société Générale de Belgique, actually owns Belgium. As a consequence of the considerable decline in the value of these industrial stocks, the banks have been perpetually in difficulties in trying to balance their liabilities, which are deposits, with their assets, which are mainly stocks. This lack of liquidity has become a major problem during the last year. By devaluing, the value of the stocks held is increased in terms of belgas. This move last week once more made the banks liquid.

It is obvious that this simple explanation, when expanded, involves much more than the banks of the country. The London *Economist* gives a detailed picture in a recent issue of what has been happening in Belgium during the depression:

"The crisis, while it has been abrupt in its manifestation, has been slow and certain in development. Belgium in the pre-crisis period was a creditor on international account, making good a visible import surplus, which amounted to about 10% of her visible exports, by shipping and other services and by income from overseas investments. She has had, till now, a Socialist party whose appreciation of the Belgian workers' interests was exceptionally realistic. Thus, when the sterling countries went off gold and the British iron and steel tariff aimed what might have proved a mortal blow at one of Belgium's principal export industries, it was relatively easy for the government to make drastic cuts in money wages at the same time as they preserved the continuity of Belgium's 'free imports' policy. Belgium did not run amuck with import restrictions and quotas; in the interests of the workers' real purchasing power she kept such restrictions at a level which, even today, makes her one of the lowest-tariff countries. This twofold policy enabled successive Belgian governments to maintain the relation of exports to necessary imports, despite the welter of trade restrictions."

Exports Dangerously Low

Exports have, nevertheless, reached a dangerously low level, if they are to continue to pay for the imported materials essential to keep Belgian industries operating. Recent indications that the pound might be further depressed by a more or less deliberate British policy frightened the Belgians. Italy slipped a few months ago from the genuine gold standard. The lira is depreciated about 7%. Switzerland has admitted the pressure on the gold currency by creating a tourist franc (Swiss) with which she hopes to entice travelers this year. Belgium has withstood the pressure as long as possible. Recently pressure on the banks, mounting unemployment, failure to reduce the cost of living in line with lowered wages combined to bring the situation to a head. When the flight of currency from the country set in a few weeks ago, there was nothing to do but place an embargo on gold exports and control foreign exchange.

Belgian business during the last few weeks has gone through the usual inflation cycle. Fixed-interest securities declined in value. There was a rush into stocks with a consequent pushing up of the price even before devaluation was announced. Long-term commitments have been delayed. Now there is the usual inflation rush of business likely to expand exports, cut down imports to an absolute minimum until there is adjustment to the new price level. Internal indebtedness is eased; employment is likely to pick up; there will be an easing of the troublesome social pressure on the government.

Toward World Conference

The new government is a coalition under the leadership of Dr. Paul van Zeeland, under-governor of the Bank of Belgium and an economist recognized in Europe for his practicality. Beyond this monetary move, the government has not announced any program. As far as the rest of the world is concerned, however, this is the most important move likely to be taken. It leaves France and Holland virtually alone on the gold standard. The great question now is how much longer they can hold out. If and when they slip, world currencies will be left in a state of chaos unless the nations agree then that it is time to reconvene the world economic conference and discuss stabilization.

Business Abroad

No effective opposition yet formed to prevent Germany from fulfilling her demands for territorial adjustment. Belgium devalues 28%; little confidence left in remaining gold currencies. Ontario voids power contracts.

NOT until Apr. 11 when the European powers gather at Stresa, in Italy, to piece together the results of all their efforts to preserve peace in Europe will the world be able to arrive at any sound conclusions as to what can be expected in Europe in the next few months. Just now it looks as though Germany was completely isolated, but that Britain—the real power in Europe once more—would not take any step to back a punitive expedition against Germany should Hitler enforce his demands with action. Every major nation is making plans for war but few experts expect trouble to break out this year.

Problems Ahead

The currency situation is temporarily quieter this week, but there is little real confidence in the future of the remaining gold standard moneys (page 40). And even in Belgium, where the 28% devaluation of the currency should open a period of stimulating inflation, there is limited confidence that the government is strong enough to carry through the additional remedial measures necessary to revive business.

Following the announcement in Washington of the signing of a trade agreement with Haiti (page 43), the State Department has proclaimed the Belgian treaty (*BW—Mar9'35*) to become effective May 1, and has announced that Czechoslovakia has signed an agreement to enter the Hull reciprocity customs group. This means that the Czechs and the United States agree to provide unconditional most-favored-nation treatment for each other's products. France will be invited to be the next major country to come to terms with the United States regarding trade in both directions.

Great Britain

Business is unsettled by international political flurry and budget talks. London expects Holland and France to abandon gold soon.

LONDON (*Cable*)—Two things now affect Britain: the international situation, with Hitler in the ascendant, and the coming budget, which will be "opened" on Apr. 15. Main business fear is that war danger will drive gold and funds across the Atlantic, and cause bad markets in London.

The government's financial year has just ended with a surplus of nearly £8 millions, which is 9 times greater than was estimated when the budget was planned a year ago. Big gain was in income tax returns which exceeded estimates by £9.4 millions, and at the lower rate levied this year paid almost the same return as last. Favorable returns, however, mean little in the face of rising defense expenditures for next year. All in all, the Chancellor has to find another £30 millions next year.

Hitler Is Strongest

The week's developments have accentuated war fears. There is little hope among the better informed diplomats in London of reconciling German and Russian aims. Germany is determined to expand, and it looks as though Russia will be the loser. Russia, on the other hand, is still striving to guarantee present boundaries. Since London is convinced that Hitler has the strongest air and land forces in Europe just now, and since neither the French nor the British public favors any punitive campaigns, it is likely that Hitler will get more or less what he wants. Despite Germany's lack of preparedness as far as raw materials supplies and accumulated resources are concerned, Goering seems willing to match his air force against either the French or the Russians, and Schacht seems not at all frightened about the economic strain hostilities would force on the Reich.

London continues to believe this week that the Belgian devaluation move is merely a prelude to the abandonment of gold by Holland and France. This is expected to precipitate a currency war which would unsettle business to the point where all European nations, at least, would be willing to cooperate in a stabilization conference.

Economic recovery has been slowed by all these developments, but it has not been halted. Iron and steel producers, and the brick industry, are worried by possible intensification of Belgian competition following devaluation. Encouraging note this week was the announcement by the London & North Eastern railroad of an order for £500,000 for new rolling stock and electrification.

Germany

Business lags following political and monetary disturbances. Government begins thrice weekly television programs. Germans are offered special tours to New York.

BERLIN (*Cable*)—Germany's isolation is more complete this week than last. If London has made no definite new agreements with France and Russia, the British are at least pushing peace plans along lines inimical to Germany.

In addition, the move by Belgium definitely to devalue leaves Germany in a more hopeless position than ever in world export markets.

Business has reacted to all these developments. Import restrictions have been tightened. Public expenditures have been reduced. The German rail-

Wide World

BELGIUM'S NO. 1 BRAIN TRUSTER—The 41-year-old Premier, Dr. Paul van Zeeland, explains to reporters this week the first official act of his cabinet—the 28% devaluation of the belga, which makes even more imminent the inevitable dissolution of the gold bloc. A prize pupil of famed "money doctor" Kemmerer of Princeton, a professor at the University of Louvain, a practical diplomat withal, he maneuvered rapidly to bar the flight of capital, check financial disorders.

roads have even found it necessary to cut their monthly expenditures for rails in half, despite the fact they are planned by the government as a part of the program of reducing unemployment. February retail sales were only 3% above the comparable period last year. Security markets are stagnant.

Americans will be interested in 2 developments. On Mar. 22, Germany inaugurated her first television program. Since then, these programs have been broadcasted every Monday, Wednesday, and Saturday from 8 to 10.30 p.m., the broadcasts including a news program—"The day's mirror"—and a movie section. May 1, Nazi Labor Day, will be the occasion for a big celebration program.

German television has not yet progressed very far because of the relatively high cost of receiving sets. Sets now on the market are selling for 1 to 3 thousand marks. While this is less than $400 for the minimum priced set, it is too expensive for many Germans to be able to afford them. Important fact is that the government is actively behind plans to develop television as rapidly as possible, to put on the market at the earliest possible moment a popular priced receiving set which will compare with the 76-mark radio set which has made all Germany radio conscious.

The second matter of interest is the announcement by the North German Lloyd of all-expense tours to the United States for 380 marks (the mark is currently quoted in New York at about 40¢). Travel is on Lloyd boats with from 2 to 12 days ashore in the United States.

France

Paris anxiously awaits outcome of Stresa conference. Abyssinian campaign is not likely before fall.

PARIS (*Wireless*)—French bonds were down, stocks up, on the first news of devaluation in Belgium, but the reaction was only temporary. Paris is fully aware that the economic situations in the two countries are different. Though franc futures are at a discount, Paris is again comparatively calm as far as the monetary situation is concerned.

Diplomatically, there is no such calm. France is not reassured by the first week's diplomatic parleys following the Hitler bombshell. All attention now focuses on the Stresa conference, though there are small hopes for any striking results.

The European crisis has more or less pushed the Italian adventure in Africa into the background. Paris has not forgotten it, however. The best informed understand that the present truce is temporary, that actual fighting may begin next fall. Italy seems absolutely decided to take at least an economic hold on Abyssinia, unless some sudden developments in Europe demand first military attention. It is just possible that Italy will be able to settle affairs in Africa before hostilities break out in Europe.

If Italy has gone ahead with her colonial aspirations in Africa, Rome has made new friendly overtures at home to Yugoslavia, French satellite but traditional foe of the Italians. It seems that the Italian government is prepared at the present time to propose to Yugoslavia: (1) a new commercial treaty; (2) a treaty of amity between Albania and Yugoslavia in return for an Italian promise to Yugoslavia of a free hand in the Balkans; (3) a mutual guarantee of the present status of Austria, Italy promising to bear on Hungary to abandon its requests for revision of the peace treaty, and to conclude economic agreements with the Little Entente; (4) a new security pact.

Canada

Ontario repudiates power contracts with private companies. Alberta will experiment with "social credit" scheme. Radio sales boom throughout the Dominion.

OTTAWA—Ontario is not Canada's largest province but it is one of the Dominion's most important from almost every angle. One of the accomplishments of which Ontario is proudest is its government-owned electric power system, known as Ontario Hydro Electric Power Commission. The Hydro became a focus of Canadian news this week. The present government of the province, after weeks of investigations of contracts which previous governments had signed for the purchase by the Hydro of surplus power from privately-owned power companies, has cancelled all of these contracts.

The previous administration, and Hydro officials appointed by that group, are blamed for "bribery connected with the contracts." Stewart Lyons, present chairman of the Hydro, is one of those who admit that the contracts would have been valuable to Hydro and to Ontario industry had industrial activity continued at 1929 levels. Under present conditions there is no market for the power but Lyons says it will be required in 2 or 3 years. Meanwhile, the present government is playing up to the electorate.

Contracts which have been voided were with Beauharnois Light, Heat & Power Co., Gatineau Power Co. (subsidiary of International Paper), Ottawa Valley Power Co., and the James MacLaren Co. The government will continue to buy power from Gatineau, though the old contract is voided.

According to the Bond Traders' Association at Montreal, since Feb. 28, when validity of the contracts was first questioned, various issues of Beauharnois bonds have lost from 13 to 37 points on the market. Securities of the other companies affected have also suffered. Further wide losses have been sustained following introduction of the repudiation legislation.

The federal government has the power to disallow this move by the Ontario government, but with a federal general election coming soon, it is not believed that Ottawa will intervene.

Alberta, farthest west of Canada's prairie provinces, is going to try out "social credit." The provincial government is engaging Major C. H. Douglas

Acme

COMMONER TO CANADA—Untitled (as yet) but not undistinguished. Colonel John Buchan comes to Ottawa with his wife this summer to take the reins of the Dominion government from the Earl of Bessborough, the fourteenth titled Governor General. Appointment of Colonel Buchan—Scottish historian, former Conservative M.P., and close friend of the United States—is acclaimed in Canada.

Acme

DIPLOMATIC DRESS PARADE—When Hitler announced Germany's conscription plans, he launched a new touring season for European statesmen—notably for Capt. Anthony Eden, Lord Privy Seal of England. Pictured here in Paris at the start of his cross-continent jaunt, the debonair Captain who typifies the British ideal of the successful young diplomat has since covered Berlin, Moscow, Warsaw.

of England, author of the widely-discussed social credit scheme, to come over and act as its economic adviser. He is to spend short periods in the province for the next 2 years, receiving a salary for doing so. William Aberhart, leader of the Alberta Credit League, will be his assistant.

Douglas has been campaigning for his scheme throughout the British Empire and in other countries for several years. He was before the House of Commons' Banking Committee last session but failed to impress any of the federal legislators outside the Cooperative Commonwealth Federation (C.C.F.) group. He is not taken seriously in this country except by a small element of economic revolutionaries. Former Prime Minister Arthur Meighen, in a public address in Montreal Saturday, strongly denounced such proposals as that of Douglas as designed to work injury to the country. Douglas' engagement by Alberta is partly a political move. The C.C.F. is strong there, and the Social Credit League threatened also to enter politics. With a provincial general election coming on this summer, the government engaged Douglas to appease the radicals.

Farmers Want State Credit

In the House of Commons last week the C.C.F. group failed to find any support outside its own ranks for a resolution proposing the adoption by the federal government of the social credit idea.

A modified application of the scheme was urged on the Ottawa government last week by a prominent Canadian exponent, Mayor Gerry McGeer of Vancouver. He and mayors of other Canadian cities asked that the federal authority instruct the Bank of Canada to finance the provinces and municipalities at cost. The proposal will not be accepted.

Sunday Advertising Banned

The Canadian Radio Commission caused some stir in Canadian broadcasting circles and aroused the interest of United States broadcasting interests by announcing last week that at a date not yet determined it would place sales talk in sponsored programs and spot advertising announcements under the ban on Sundays. The commission's resolution is aimed principally at spot announcements. High class sponsored programs originating either in Canada or the United States in which the advertising content consists merely in naming the sponsor and his products will not be affected. The order of the commission when it becomes effective will apply to the Canadian outlets of the National Broadcasting Co. and the Columbia Broadcasting System as well as to other Canadian stations. The commission's decision meets half way an agitation which was developing against Sunday broadcast advertising.

Canadians are becoming rapidly more radio conscious. For the first 11 months of the fiscal year just closed, 106,000 more radio receiving licenses were issued than for the corresponding period of the previous year, the increase being 15%. During the same period, 167,177 new Canadian-made sets were sold, the value being \$7½ millions, the volume increase being 28%, and the increase in value 36%. Imports of radio sets increased 50%, the business amounting to \$1,796,000.

Far East

Japan boosts cotton planting in China. Yangtze ports increase shipments to United States.

CHINA has taken over control of the Bank of China at Shanghai, and of the Bank of Communications at Tientsin. These, with the Central Bank of China, are expected to be made the sole banks of issue in China as a part of Nanking's newest moves to control rigidly the monetary affairs of the country.

Business is resuming its normal course in China following the Oriental New Year lull. Tsingtao reports that rising prices, following the increased demand for peanuts and peanut oil, have given encouragement to the general trade outlook. The Shantung Cotton Association, under Japanese auspices, has imported 60,000 pounds of American cottonseed for distribution among the farmers of the province. It is assumed that the bulk of the ensuing crop will be used in Japanese spinning and weaving mills in Shantung, as they have resumed activity recently.

Hankow business, and firms located further up the Yangtze, met New Year settlements with comparatively little difficulty. The value of declared exports to the United States from this region during the first 2 months of this year was more than double the amount for the same period last year. The increase was largely the result of increased shipments of wood oil and sesame seed. Seven vegetable oil and 4 flour mills in the Hankow district are operating at full capacity, while 5 cotton mills are operating at 40% of capacity. Railway and highway construction is very active with a number of long disttance telephone services being built.

Shanghai came through the yearend settlements with a less favorable record. Large numbers of small retail establishments have been obliged to close or to reorganize. Although building continues active in the construction of medium and large sized apartment houses, several important banks and a number of business buildings, vacancies throughout the city are increasing.

Latin America

Haiti and United States make concessions in new trade pact.

No large volume of trade is involved in the new trade agreement with Haiti, but it is the outstanding business development in Latin America this week.

The United States reduces import duties on fresh pineapples, guavas, mangoes, and rum coming from Haiti. In return, Haiti agrees to maintain present duties on a long list of imports, including automobiles, and to reduce duties on the following import items: hides and skins, radios and parts, meat, lard, fresh and preserved fruit, raisins and prunes, seed potatoes, American types of cheese, evaporated milk, and tires.

Agitation is increasing for a new trade agreement with Argentina.

Money and the Markets

As government financing dwindles, new private offerings are readily absorbed; belga devaluation fails to quicken sluggish speculative sentiment. Led by utilities, stocks inch upward. Narrow fluctuations rule commodities.

THE market having readily absorbed large blocks of new securities, the attention of the financial world is centering on prospects of more such business. Only mild excitement was aroused by actual devaluation of the belga. Discount of 10% on futures of gold bloc currencies was the only reflection here of the intense concern expressed abroad about other members of the group (page 41). Speculative activity was at a standstill, operators forgetting "inflation" again after its recent prominence in conversations and brokerage house gossip, as Washington quieted down on the subject. Investment markets were quiet, somewhat neglected for the new issue division.

Private Offerings in Limelight

The government is stepping aside to let private financing take the center of the stage if it will. There will be no additional financing, aside from weekly Treasury bill offerings, before June 15, except an exchange proposition on the First Libertys, called as of that date. Even the bill sales have been cut to $50 millions weekly from the $100-million figure of the last few months. This of course reflects the comfortable cash position built up by heavy March revenues and temporarily curtailed expenditures. The working fund of $1.5 billions will melt fast when the new relief spending gets under way, however, and there will be some $200 millions of Liberty Fourths to be paid in cash Apr. 15, indicating that the smaller weekly transactions will not continue for long.

Suspension of Treasury borrowing does not preclude the refunding of Federal Land Bank bonds. Plans under consideration provide for a call of $162 millions 5s on May 1, with 3¼% bonds being offered in exchange. A call is also anticipated for the remaining $1.3 billions Liberty Fourths, but they would not be payable until next October.

Weigh Ban on Gold Suits

There will be no further tests on the gold clause until the Administration has made up its mind about the advisability of putting measures through Congress to bar suits. This was indicated when Attorney-General Cummings declined a proposal to join Robert A. Taft, attorney for Dixie Terminal Co. of Cincinnati, in an appeal direct to the Supreme Court on his case challenging the right of the Treasury to call gold bonds ahead of maturity. Mr. Taft's concern refused to surrender a bond called for payment Apr. 15; holders of more than 80% of the issue did, without protest. With other refunding of gold contract bonds ahead, the Treasury does not want a test case before the Court.

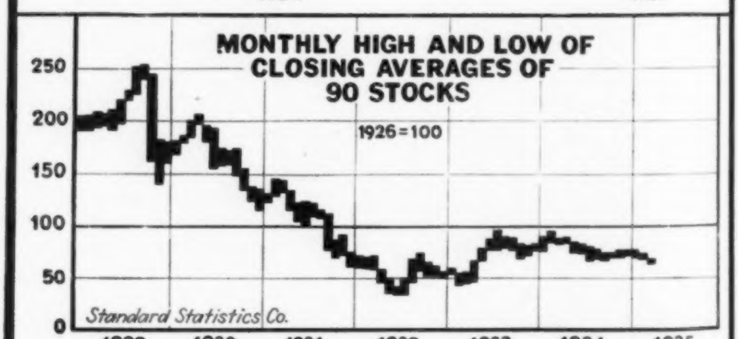
The flurry of activity in exchange markets which greeted announcement of the new 16.95¢ belga was mostly the result of buying which had been deferred until the new value was set. Covering of shorts in other gold currencies and resumption of gold shipments gave them strength on demand paper as French authorities reiterated that country's pledge of fidelity to gold, despite the desertion of a former partner in the gold crowd.

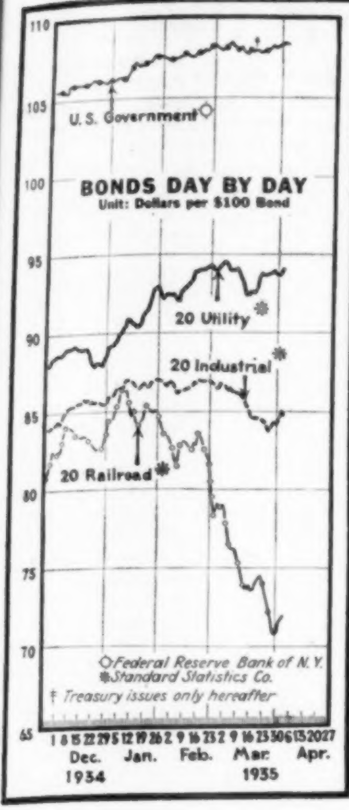
Gold shipments have been moderate to date and only partly offset the shrinkage in Federal Reserve member banks' excess reserves with the system. Income tax payments and retirement of national bank notes had tended to draw down excess balances from their peak of $2.2 billions earlier in the year, although they are expected to bounce back up as funds flow back to the banks in the course of time.

Banks continue to show meager earnings for the first quarter, although the March statements reflect further deposit gains generally. Commercial loans, the best income source, show no tendency to expand and rates have eased off. A few of the larger banks are increasing their loan portfolios—and at fairly attractive rates—through advances to corporations for the purpose of paying off funded obligations, but this business is not available to the rank and file of institutions which remain dependent upon securities as the outlet for their additional funds. In this field they have been getting progressively lower yields on their investments.

Legal Jams Broken

Several legal jams that have impeded cleaning up the liquidation of closed banks were dislodged by Supreme Court decisions this week. A New Jersey statute barring double liability suits against stockholders in out-of-state banks was declared unconstitutional. The right was denied mi-





nority creditors to hold up the reorganization of closed banks in a suit which involved the "freezing" of deposits taken over by a new bank. The Court held that that was merely another and better method of liquidation. Trusts of a closed bank cannot be removed to another state's jurisdiction, the Court held in a case where an attempt had been made to move some Pennsylvania mortgage trusts.

Bonds

GOVERNMENT officials have raised their estimates of refinancing business from $500 millions to $1 billion on the strength of the $237 millions recorded in March which brings the first quarter total to $442 millions. Investment dealers readily confirm this estimate in view of the ready reception accorded the securities that have come along.

Two preferred stocks are included in the schedule of new issues now in process of qualification for offering. Commercial Credit proposes to exchange $19 millions of new 5½% stock in a plan to consolidate 5 outstanding issues carrying dividends ranging from 6% to 8%. Reynolds Metals has registered an issue of $5 millions of 5½% preferred which will be strictly new financing.

Southern California Edison's $73 millions of 3¾% bonds will be the next big piece of financing, but bond circles have added Duquesne Light as a prospective customer for an equally big utility refunding operation in the near future. Other large deals under discussion include the $25 millions to $50 millions for Bethlehem Steel—an issue that so far has failed to materialize—the proposed Brooklyn-Manhattan Transit financing, and a "telephone" issue. More oil company financing, by Union Oil of California which has $13.5 millions of outstanding bonds it could profitably replace and by Shell Oil which has $10 millions, is also rumored. Phillips Petroleum has called another $6 million of its bonds, but they will be met with cash. Offerings from Cudahy Packing as well as Armour & Co. are scheduled to follow the successful Swift refunding.

Dreams of Foreign Financing

Investment circles are optimistic enough at present to look abroad for possible business; they contemplate refinancing for Australia, Argentina, and the Scandinavian countries, although admitting that domestic markets for foreign obligations must improve considerably to underbid London.

Price movements for outstanding bonds, overshadowed by more interesting investment developments, nevertheless made hesitant progress. Even the much abused railroad issues got some respite from pressure, although the carriers face a Senate investigation of their financing methods.

Stocks

A CREEPING advance has brought stock prices back somewhat from the bottoms of 3 weeks ago. The pace is slow and activity at a minimum. Utility shares have been the mainstay in the advance; rails have been barely firm and the industrial section has had a weak member for every one that showed any tendency to advance. Friends of the market feel that its refusal to stay down is an indicator of the path of least resistance; they look for better things if it is given an even break in the news.

Speculators, deprived of new "inflation" scares, dropped metals and commodity shares generally. An exception was the sugar group, even the Cuban producers finding new favor with traders on prospects of improvement from higher sugar prices.

Utility Fight Approved

The financial district thinks the utility interests are handling their fight against the dismemberment of holding companies in about the proper manner (page 27). Particularly commended was the submission of a definite legislative program to replace the Wheeler-Rayburn bill with its plan to put regulation in the hands of the Securities and Exchange Commission, which is no longer the bugaboo it once was to the Street. The ease with which strong units in the utility field can refinance at record low rates was not overlooked. Nor was the *Electrical World's* estimate of potential shortages in power generating capacity, later confirmed by reports of a Federal Power Commission survey (page 28). The combination of factors has served to improve the attitude toward the future of utilities materially.

A rally in railroad equities, initiated by the rate increase and by the Supreme Court's decision helping to speed reorganization, could not brighten up the drab picture market interests see when they look at the carriers, hence did not get far (page 34). The rates are expected to help Eastern lines in the coal and industrial areas, but Western lines which are bearing the brunt of distress from the short crop movements will not be benefited. Forecasts by the regional shippers' boards of a 1/10% gain in loadings for the second quarter over last year did not strike the market as bullish, although it would mean improvement over the quarter just finished and parity with a fairly heavy traffic period last year. Here again the Middle-Western farm lines are expected to show lower volumes offsetting gains in other sections.

Engineering Business Booms

Stocks provide a few recovery notes. American Bank Note shares have skyrocketed on prospects of big business in engraving new securities to supply the revived capital market. California Edison spurted on news of its 3¾% new borrowing rate. Mesta Machine has been strong on news of more big steel mill contracts and unfilled orders enough to keep it busy for months.

Feeling in a better mood themselves, stock operators have started to speculate upon another wave of expansion in consumption buying. At the same time they recognize impediments here and there—such as higher living costs—reflected in their selling of packing-house shares. They hear that customers have cut the meat budget, substituting cheaper foods.

Commodity Markets

COMMODITY prices have been able to move but little, up or down. Within these narrow fluctuations, easiness has predominated, although individual items, such as sugar, silk, hides, and corn, have shown strength.

The AAA legislative tangle, growing daily more confused, has thrown new uncertainties into the markets for those innumerable commodities directly concerned. Continual hammering by opponents of the processing taxes is getting lots of attention in Washington. Observers think that Secretary Wallace made a serious strategical error in his fight to preserve the taxes by threatening even higher rates. The effect has been to fan the flames of opposition, literally compelling rewriting of large sections of the amendments proposed to the Adjustment Act. The predicted export debenture–equalization fee additions (*BW—Dec8'34*) have been tagged onto the bill, must of course be killed if AAA is to proceed upon its restricted production policy. Many of the broader powers for licensing processors have been stricken out of the measure now before the House.

Work-Relief Effects

Provision in the work-relief bill to pay farm benefits from the $4-billion relief fund did not worry Administration forces much because the language of the clause does not make it mandatory.

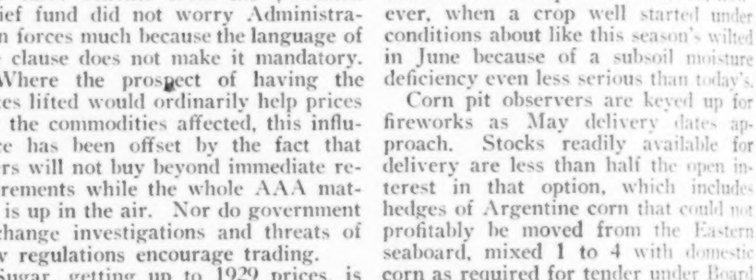
Where the prospect of having the taxes lifted would ordinarily help prices for the commodities affected, this influence has been offset by the fact that users will not buy beyond immediate requirements while the whole AAA matter is up in the air. Nor do government exchange investigations and threats of new regulations encourage trading.

Sugar, getting up to 1929 prices, is the outstanding feature in commodities. ady buying by refiners at higher levels despite their well stocked position, has tended to stimulate outside speculation. Strength in hides is bringing up that old question of liberal delivery provisions in futures contracts. Hide futures are ruling at sharp premiums over spot quotations, a condition that would ordinarily portend advances in the actual commodity. However, the large supply of deliverable hides now available leaves the trade uncertain as to whether the gap might not be closed by dropping prices on futures if tanners stand pat on their current bids.

Grains Follow Weather News

Grains are moving on weather news these days, although strength abroad and ever dwindling domestic supplies provide a cushion against sharp breaks. Board of Trade speculators were disappointed when private estimates of April 1 on winter wheat forecast a crop just under 500 million bu.—just as large as a month ago. Improvement in the East offset drought damage elsewhere. H. C. Donovan, crop expert for Thomson & McKinnon, estimates that 20 million acres will be seeded in spring wheat in view of a surface moisture condition better than a year ago in the Northwest. He recalls the experience of 1933, however, when a crop well started under conditions about like this season's wilted in June because of a subsoil moisture deficiency even less serious than today's.

Corn pit observers are keyed up for fireworks as May delivery dates approach. Stocks readily available for delivery are less than half the open interest in that option, which includes hedges of Argentine corn that could not profitably be moved from the Eastern seaboard, mixed 1 to 4 with domestic corn as required for tender under Board of Trade contracts.



Editorially Speaking—

It's not a gift, it's a curse. An e... goes vacationing, bravely determi... be just a wide-eyed, naïve tourist, enjoying the surface of things, the be... of the flower-stands on the Via Vittorio Veneto and the girls along the Ringstrasse, with never a thought of Economic Trends or Whither Are We Drifting. Just Get Away From It All, that's the thing to do. But habit is invincible. One asks questions, takes notes—

The flower-stands in Italian streets are sheer beauty against the gray stone of the buildings. A bunch of fragrant violets, 8 inches across, ... 1 lira—8¢. Other things in scale—carnations the size of teacups, hues from crimson to white. Always so cheap? ..., Signor. These were grown for the German market, but Germany will not take them now. So we give them away—"

The cobweb laces of Venice are exquisite, the skill of the women juggling the bobbins faster than eye can follow is a fascinating thing to watch. Again the terrible habit of asking questions. How much do they earn? "Seven lire a day, Signor." That's 56¢.

The statisticians' customary index of living costs will show them high in Italy. But wine, spaghetti, and rents have been cheapened. And that's the only index that counts for 90% of Italians.

"Haifa oranges" on every fruit stand in Germany. What—no Jewish boycott? Well, it seems it doesn't apply in the only 100% Jewish region in the world. Palestine takes agricultural and construction machinery and fertilizer, pays in oranges. By next year, there will be grapefruit, too, as the groves begin bearing. Results pretty sad for the Italians and Spaniards, now shut out.

If you get mail from Germany, you must have noticed that all recent letters have been opened, sealed again with a sticker explaining it was done in the search for "devisen." An attempt to stop some of the leakage of money and securities out of the Reich. There are ingenious circumventions. It is illegal to send securities out of the country. Holders of foreign bonds burn them, before witnesses, who make proper affidavits to support the claim of destruction by fire. The issuing house—in London, or New York—is asked to replace the burned bonds with duplicates —"which please hold for our account"!

Speaking of such things, ever hear of bootleg lard? Germany some time ago decided to throw all her trade in agricultural products to neighboring countries, a "regional economy" plan. Imports of lard from Rumania went up by leaps and bounds; amazingly enough the hog population of Rumania showed no decline. The lard was just as good as American lard. In fact, it was, with Rumanian jobbers' profits added.

It is now illegal to cut down a mulberry tree in Italy. Discouraged over the state of the market for their raw silk, the Lombardy farmers were destroying them at a great rate. Mussolini stopped that. Raw silk is North Italy's principal agricultural revenue producer, or was. If the silk industry is destroyed, how shall the farmers buy the products of Milan's factories? So Il Duce called a halt while he ponders ways of reviving the Italian silk trade.

Lesson in economy: Mulberry tree trunks support the grape vines. From the one field, the farmer gets (1) wine grapes; (2) leaves to feed silk worms; (3) fuel—an annual crop, for all new growth is cut from the trees and the vines at the end of each season and the slim shoots carefully faggoted.

Italian cities—once called the noisiest in the world—now are startlingly silent. It's a campaign, with posters and slogans (and behind it, of course, a fist). One poster shows a cop with finger to lips. The slogan is "Silenzia—Disciplina." Listen all day, and you won't hear an automobile horn 6 times. Nor a bicycle bell. The only real noise is made by the 3-wheeled trucks with motorcycle engines which are just as sputtery as motorcycles here. The Italians are delighted with the success of the campaign. It has made very careful drivers and even more careful pedestrians. Jay-walking, by the way, gets you the cop's immediate and vigorous attention.

No one knows how old an automobile can be, and run, until he has hired a taxi in Vienna. Nobody knows what becomes of old cars in Rome, but there aren't any there. Every one is new and shiny. Or at least, shiny. That goes for the taxis in Paris, too. Spoiling an old joke.

Sights not starred in Baedeker: Lovely little German girls, uniformed, marching, drilling. German boys drilling, armed with daggers. A battalion of Italian boys, 8 to 12 years old, drilling —with rifles. Heavy artillery fire battering the ears while observation balloons swing loweringly above the prettiness of Versailles. Italian troops entraining everywhere, grimly, all their light gaiety gone. And in the railroad stations, women, weeping.

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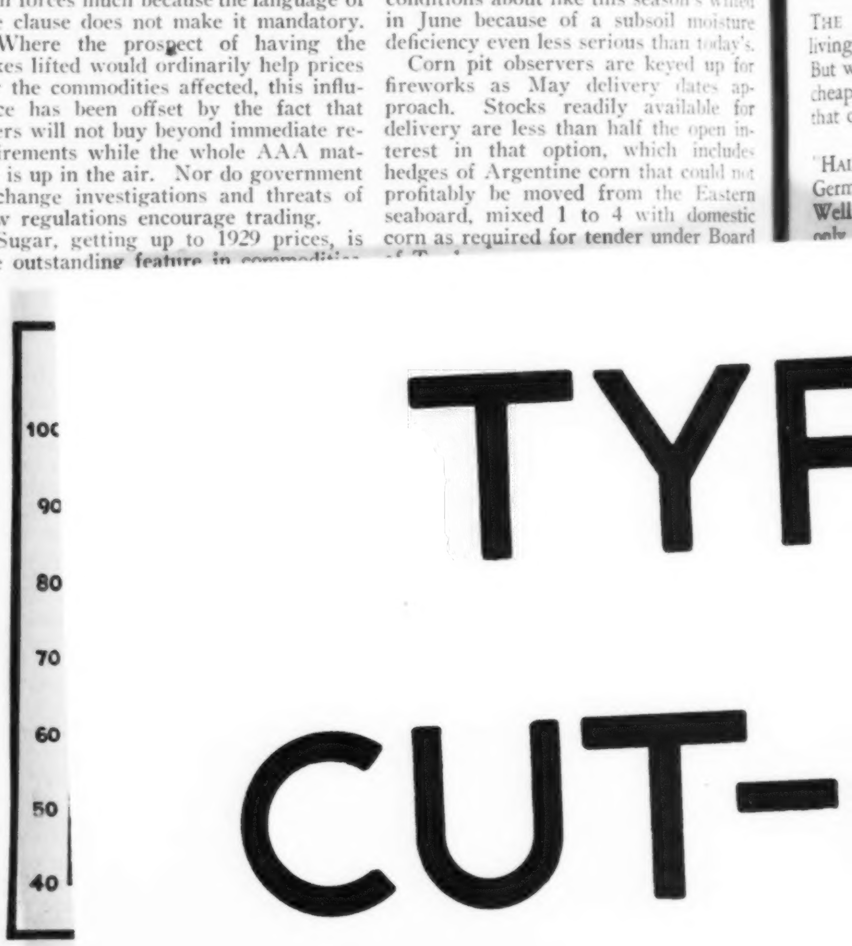

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BUSINESS WEEK

The Journal of Business News and Interpretation

APRIL 6, 1935

Reform, or Confiscation?

At last the political issue in the utility controversy is clearly drawn. Wendell L. Willkie, president of the Commonwealth & Southern Corp., has submitted, at the request of the House Committee on Interstate and Foreign Commerce, specific recommendations for legislation intended to cure the evils of the past, to put the industry completely under governmental supervision, and to meet every valid complaint of the New Deal. By accepting or rejecting some such plan the Administration will reveal its true purpose and indicate whether it is interested in protecting investors and consumers or in confiscating public utility properties to promote government ownership.

Business Week **has pointed out before that every business organization and every business man has an acute interest in the battle of the utilities against this radical encroachment. It has also pointed out that the utilities probably have not the strength to win the battle alone. It is urged, then, that every business man read the following summary of Mr. Willkie's proposals, discover whether he can support them, and, if he can, proceed to support them in an organized way:**

(1) Require that, after such time as is required for necessary corporate adjustments, all shares of stock shall have one vote.

(2) Prohibit the issue of securities, for which the state commission approval is not required, which the Securities and Exchange Commission finds to be detrimental to the investing and consuming public.

(3) Extend the Securities and Exchange Act to all holding companies by requiring special registration where needed.

(4) Require that a majority of the directors of holding and of operating companies and the principal officers of operating companies shall be actual residents of the territory served and that meetings of operating companies shall be held in their service territories. This to prevent absentee management on local control.

(5) Prohibit the officials of holding companies or of an operating subsidiary from owning more than 1 per cent of the voting stock of any company furnishing services or materials to such operating subsidiary.

(6) Require services to a substantially wholly-owned operating subsidiary to be rendered at cost; and to an operating subsidiary not so owned, at a reasonable profit.

(7) Prohibit upstream loans, except with the approval of the commission or of a state commission.

(8) Prohibit the use of operating company employees in the sale of holding company securities.

(9) Authorize the commission at the request of a state commission to investigate the accounts and records of holding companies affecting service charges and other intercompany relationships.

(10) Authorize the commission to prescribe uniform systems of accounts for holding companies and subsidiaries, in the absence of state regulation.

(11) Prohibit acquisitions of voting stocks of utility companies by holding companies without the approval of the commission or of a state commission; and prohibit acquisitions by others of more than 5 per cent of such stocks without similar approval.

(12) Exempt from tax corporate reorganizations for the simplification of corporate structures, when approved by the commission, if effected on or before December 31, 1938.

(13) Provide for interstate power boards, composed principally of the state commissioners concerned, to pass upon interstate wholesale power rates.

It is difficult to conceive of any complaint of the New Deal that is not met squarely by Mr. Willkie's suggestions. They would do away with the business of controlling a large utility by ownership of a small issue of voting stock; they would provide that no securities can be issued, good, bad, or indifferent, without the consent of state or federal commissions, or both, giving the Securities and Exchange Commission complete authority over all holding companies' financing; they would forever put an end to milking subsidiary operating companies either by loans, excessive dividends, or charges for services; they would provide government control over all rates, interstate and intrastate, and prohibit the acquisition of voting stocks of utility companies by holding companies without government sanction.

If New Deal spokesmen and public ownership advocates can think of any loopholes this plan has overlooked in a sincere effort to afford complete protection to the public and still avoid confiscation, Mr. Willkie probably would be quick to accept any sound protective measure. These reforms would be accomplished by amending the Securities Act, the Securities and Exchange Act, various Revenue Acts, and the Federal Water Power Act. It is to be observed that they do not suggest any amendment or redraft of the Wheeler-Rayburn Public Utility Bill which is so obviously confiscatory and destructive that it is frankly a liquidating bill.

If the passage of the Wheeler-Rayburn Bill is permitted in any form, the next confiscation will be much easier. It is a strange characteristic of business leaders and organizations to reserve their indignation for the goring of their own ox, forgetting that each man's ox may be gored in turn.

War—Not Imminent, But Inevitable

Into the sick room of a world which needs nothing so badly as quiet in which to struggle through the long process of recovery comes the terrifying roll of the war drums. It is a devil's music that shakes the heart of the stoutest; its effect upon a convalescent is to provoke hysteria.

The hysteria will be calmed. Realists in all the capitals of Europe see that war is not imminent. That is to say, it is no more imminent than it was a year ago, despite the drama of Hitler's bold gesture. Best judgment is that the guns will not belch death this year, or next. Business here and abroad will calm its acute attack of jitters and go back to the problems of workaday existence.

But that a new European war is in the making is the sickening truth. It will be called a new war. Actually it will be the continuation of the one that broke out in 1914. The Versailles Treaty was not a peace, but a truce. It was only a military truce; economic warfare has been uninterrupted since 1914, really began before that. Moreover, it was a truce upon outrageous terms.

If we are not exactly where the world was in 1914, we are certainly where it stood in 1912. Principal difference is a score of rankling grievances now for every one that existed in 1914.

We do not know who will start the war. We do not believe any responsible leader in all Europe wants it, or will consciously strike the spark. But more murders are committed in a sudden spasm of fear than in cold malice. That is how war will come.

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